IMPORTANT NOTICE

OFFERINGS UNDER THE PROGRAMME ARE AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR (2) PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Bank as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. SECURITIES OFFERED UNDER THE PROGRAMME HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES OFFERED THEREUNDER.

Confirmation of your Representation: In order to be eligible to view this Base Prospectus, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act) or (2) persons other than U.S. persons (as defined in Regulation S) outside of the U.S. This Base Prospectus is being sent at your request and by accepting the e-mail and accessing this Base Prospectus, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs or (b) outside of the U.S. and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such Base Prospectus by electronic transmission.

You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Base Prospectus to any other person.

The materials relating to the Programme do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, MUFG Securities EMEA plc, Société Générale, Standard Chartered Bank, and UniCredit Bank AG, as Dealers, or any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This Base Prospectus is being distributed only to and directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), (ii) high net worth bodies corporate falling within Article 49(2) of the Order and (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This Base Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

BASE PROSPECTUS

Yapı ve Kredi Bankası A.Ş.

U.S.$11,000,000,000

Global Medium Term Note Programme

Under this U.S.$11,000,000,000 Global Medium Term Note Programme (the "**Programme**"), Yapı ve Kredi Bankası A.Ş., a Turkish banking institution organised as a public joint stock company (the "**Bank**" or the "**Issuer**"), may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$11,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to: (a) one or more of the Dealers specified under "*Overview of the Group and the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis, and/or (b) one or more investors purchasing Notes directly from the Issuer. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

This Base Prospectus supersedes and replaces the Base Prospectus dated 4 September 2018.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. State securities laws and may not be offered or sold in the United States to, or for the account or the benefit of, U.S. persons, as defined in Regulation S under the Securities Act ("**U.S. person**") except to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**") in a transaction satisfying the conditions of Rule 144A unless another exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for a description of the manner in which Notes will be issued.

The Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") (the "**Regulated Market**") or on another 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 of the European Economic Area (the "**EEA**") in circumstances that require the publication of a prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the "**Official List**") and trading on the Regulated Market. References in this Base Prospectus to the Notes being "**listed**" (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Regulated Market. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

This Base Prospectus is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of the Republic of Turkey ("**Turkey**") relating to capital markets, for the issuance and sale of Notes by the Bank outside of Turkey. No Tranche (as defined in "*Terms and Conditions of the Notes*") of Notes can be sold before the necessary approvals and an approved issuance certificate in respect of such Tranche are obtained from the CMB. The CMB approval and the issuance certificate (*ihraç belgesi*) relating to the issuance of Notes based upon which any offering of the Notes will be conducted was obtained on 4 April 2019 by the CMB letter dated 5 April 2019 and numbered 29833736-105.02.02-E.5302 (the "**CMB Approval**"), and a written approval (which may be in the form of a tranche issuance certificate) will be obtained from the CMB before any sale and issuance of the Notes. In order to issue any further tranche of Notes after 4 April 2020, the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 4 April 2020, if and when the aggregate nominal amount of all Notes issued and sold following 4 April 2019 under the Programme exceeds U.S.$7,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of Notes and, additionally, if and when the aggregate nominal amount of Notes issued and sold following 4 April 2019 that meet the qualifications specified in the Equity Regulation (as defined in "*The Turkish Regulatory Environment*" below) and that may be included in the calculation of equity of the Bank under the Programme exceeds U.S.$2,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of such Notes.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on Euronext Dublin, will be filed with the Central Bank of Ireland. Copies of such Final Terms will also be published on Euronext Dublin's website at www.ise.ie.

The Programme has been rated B+ by Fitch Ratings Limited ("**Fitch**") and B2 by Moody's Deutschland GmbH ("**Moody's**" and, together with Fitch and S&P Global Ratings Europe Limited ("**S&P**"), the "**Rating Agencies**"). Each of the Rating Agencies is established in the European Union (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 http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated by either Fitch or Moody's or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Moody's, as the case may be. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to one of EURIBOR, LIBOR or TRYIBOR as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR, European Money Markets Institute, and the administrator of LIBOR, Intercontinental Exchange Benchmark Administration Limited, are included in ESMA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"), and the administrator of TRYIBOR is not included in ESMA's register of administrators under 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 Banks Association of Turkey (as administrator of TRYIBOR) is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arrangers

Deutsche Bank **UniCredit Bank**

Dealers

BNP PARIBAS **BofA Securities** **Citigroup** **Commerzbank** **Deutsche Bank** **Goldman Sachs International** **HSBC**

J.P. Morgan	**MUFG**	**Société Générale Corporate & Investment Banking**	**Standard Chartered Bank**	**UniCredit Bank**

The date of this Base Prospectus is 23 December 2019.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated in, and form part of, this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

To the fullest extent permitted by law, none of the Dealers accept any responsibility for the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any statement inconsistent with this Base Prospectus made, or purported to be made, by a Dealer or on its behalf in connection with the Programme. Each Dealer accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or the relevant Final Terms and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

This Base Prospectus and the relevant Final Terms (i) are not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or the relevant Final Terms. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained or incorporated in this Base Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary. Neither this Base Prospectus nor the relevant Final Terms constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes issued under the Programme of any information coming to their attention.

None of the Dealers nor any of their respective affiliates shall be responsible for any act or omission of the Issuer or any other person in connection with the Programme and the issue and offering of Notes thereunder.

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

no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and this Base Prospectus and any Final Terms may not be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including the United Kingdom and Belgium), the Republic of Turkey, the People's Republic of China ("PRC"), Hong Kong, Japan and Singapore, **see "*Subscription and Sale and Transfer and Selling Restrictions*".**

IMPORTANT – EEA RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes 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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs (as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act ("**Rule 144A**") or any other applicable exemption. **Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.**

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 29 September 2017 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SUITABILITY OF INVESTMENT

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States and, other than the approvals of the CMB described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in any other jurisdiction, nor has any such authority (other than the Central Bank of Ireland to the extent described herein) approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

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

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

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

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

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

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

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

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

CERTAIN RESTRICTIONS

The Issuer has obtained the CMB Approval and the approved issuance certificate required for the issuance of Notes under the Programme. In addition to the CMB Approval and issuance certificate, a tranche issuance certificate in respect of each Tranche of Notes shall also be obtained by the Issuer prior to the issue date of such Tranche of Notes. In order to issue any further tranche of Notes after 4 April 2020, the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 4 April 2020, if and when the aggregate nominal amount of all Notes issued and sold following 4 April 2019 under the Programme exceeds U.S.$7,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of Notes and, additionally, if and when the aggregate nominal amount of Notes issued and sold following 4 April 2019 that meet the qualifications specified in the Equity Regulation (as defined in *"The Turkish Regulatory Environment"* below) and that may be included in the calculation of equity of the Bank under the Programme exceeds U.S.$2,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of such Notes. The Issuer shall obtain all authorisations and approvals of the CMB necessary for the offer, sale and issue of each Tranche of Notes under the Programme, prior to such issue. Consequently, the scope of the above-mentioned CMB Approval may be amended and/or new approvals from the CMB and/or the BRSA may be obtained from time to time. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), the Banking Act numbered 5411 (the "**Banking Law**") and its related legislation, the Capital Markets Law and Communiqué VII-128.8 on Debt Instruments (the "Communiqué on Debt Instruments") or its related regulation.

In addition, the CMB introduced an amendment to the Communiqué on Debt Instruments on 18 February 2017 pursuant to which the Issuer is required to apply to the CMB through an electronic application platform before each sale and issuance of Notes to obtain the CMB's approval in respect of each Tranche of Notes. However, since the electronic application platform is yet to be established by the CMB as of the date of this Base Prospectus, a written approval for each Tranche of Notes shall be obtained by the Issuer prior to the issue date of such Tranche of Notes.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. For more information, see "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – Turkey*".

Pursuant to the Communiqué on Debt Instruments, the Issuer is required under Turkish law to notify the Central Registry Agency (Merkezi Kayıt Kuruluşu) within three Turkish business days from the issue date of any Notes of the amount, issue date, ISIN, first payment date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Law effective from 1 November 2005, the Turkish Commercial Code (Law No. 6102) (the "**Turkish Commercial Code**") and Turkish tax legislation and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency (the "**BRSA**") (collectively, the "**BRSA Principles**").

The Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2018, 2017 and 2016 (the "**Annual BRSA Financial Statements**") have been prepared and presented in accordance with the "*Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents*" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA which refers to "*Turkish Accounting Standards*" and "*Turkish Financial Reporting Standards*" issued by the Public Oversight Accounting and Auditing Standards Authority ("**POA**") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "**Turkish Accounting Standards**" or "**TAS**") published by the BRSA.

The unaudited interim consolidated and unconsolidated financial statements as of and for the nine month period ended 30 September 2019 (with 30 September 2018 comparatives for the statement of income) and as of and for the nine month period ended 30 September 2018 (the "**Interim BRSA Financial Statements**") have been reviewed in accordance with the Standard on Review Engagements (SRE) 2410, "*Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". The Interim BRSA Financial Statements and the Annual BRSA Financial Statements are referred to together in this Base Prospectus as the "**BRSA Financial Statements**".

See convenience translations into English of the relevant PwC and EY (each as defined below) reports incorporated by reference into this Base Prospectus.

The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated 28 June 2012. It is important to note that the consolidated BRSA Financial Statements are prepared with inclusion of only financial subsidiaries whereas other equity participations are included as noted in the following paragraph. The Bank's foreign affiliates maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The BRSA Financial Statements are prepared on a historical cost basis that were restated for the changes in the general purchasing power of TL until 31 December 2004 except for: financial assets and liabilities at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities and hedging derivative financial assets/liabilities and art objects and paintings in tangible assets and buildings in tangible assets. The carrying values of financial assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

Associates, subsidiaries and joint ventures are being carried at the equity method in the unconsolidated financial statements of the Bank starting from 30 June 2015. Any valuation differences arising from prior years are booked as "marketable securities valuation differences" under equity and any valuation differences arising from current years are booked in the profit and loss statement. This accounting policy change was performed through an early adoption before the effective date of 1 January 2016 in accordance with the change of "Standard on Stand-alone Financial Statement (TAS 27)" numbered 29321 on 9 April 2015 and confirmation by the BRSA's letter numbered 10686 on 14 July 2015.

Güney Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.S. (a member firm of Ernst & Young Global Limited) ("**EY**") audited and issued auditors' reports with respect to the annual consolidated BRSA financial statements as of and for the year ended 31 December 2016 in accordance with the communiqué

"Independent Audit of Banks" published by the BRSA in the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of the Turkish Auditing Standards promulgated by the POA. See convenience translations in English of EY's reports incorporated by reference into this Base Prospectus.

Due to mandatory regulatory requirements, the Bank rotated its auditors following completion of its annual audit as of and for the year ended 31 December 2016. Accordingly, the Bank has appointed PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of PricewaterhouseCoopers International Limited) ("**PwC**") as its independent auditor effective as of 1 January 2017 and for a term of three years.

PwC audited and issued auditors' reports with respect to the annual consolidated BRSA financial statements as of and for the years ended 31 December 2018 and 31 December 2017 in accordance with communique "Independent Audit of Banks" published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of the Turkish Auditing Standards promulgated by the POA. See convenience translations in English of PwC's reports incorporated by reference into this Base Prospectus.

References to "**BRSA financial data**" in this Base Prospectus are to financial data prepared in accordance with BRSA Principles.

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

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under International Financial Reporting Standards ("**IFRS**"), the Bank's management has elected to publish annual consolidated and semi-annual consolidated financial statements that have been prepared in accordance with IFRS, with the most recent such audited financial statements being the Group's IFRS financial statements for the fiscal year ended 31 December 2018. IFRS financial statements are not used for any regulatory purposes and the Bank's management uses the BRSA Financial Statements and related BRSA Principles for the management of the Bank and communications with investors. While the Group's IFRS financial statements are available on the Bank's website, information in this Base Prospectus is based upon the BRSA Financial Statements, and the Group's IFRS audited financial statements do not form a part of (and are not incorporated by reference in) this Base Prospectus.

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

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

The contents of any website referenced herein do not form part of (and are not incorporated into) this Base Prospectus and have not been scrutinised or approved by the Central Bank of Ireland.

BRSA Principles and IFRS

BRSA Principles differ from IFRS. As an example, the provisioning policy used in the preparation of the Bank's IFRS Financial Statements differs from that used under BRSA Principles. For example, under BRSA Principles, provisioning is based on the length of the period of default, whereas under IFRS, provisioning is based on an evaluation made by management. For a discussion of the differences between BRSA Principles and IFRS, see "*Appendix 1—Overview of Significant Differences Between IFRS and BRSA Accounting Principles*".

Non–GAAP Measures of Financial Performance

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

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

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

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

- "**Turkish Lira**" and "**TL**" refer to the lawful currency for the time being of the Republic of Turkey;
- "**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;
- "**U.S. dollars**" and "**U.S.$**" refer to United States dollars;
- "**Renminbi**" and "**RMB**" refer to the lawful currency of the PRC which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan; and
- "**Sterling**" and "**£**" refer to pounds sterling.

Unless otherwise indicated, all amounts in this Base Prospectus are presented in Turkish Lira.

Certain Defined Terms, Conventions and Other Considerations in Relation to the Presentation of Information in this Base Prospectus

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus.

In this Base Prospectus, "**Bank**" means Yapı ve Kredi Bankası A.Ş. on a standalone basis and "**Group**" means the Bank and its subsidiaries (and with respect to accounting information, its consolidated entities) unless the context otherwise requires.

In this Base Prospectus, any reference to Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

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. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, so far as it is aware, and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other party.

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

The Issuer has derived substantially all of the information contained in this Base Prospectus concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Base Prospectus has been obtained from the BRSA's website at www.bddk.org.tr and the Banks' Association of Turkey's website at www.tbb.org.tr and all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("**TurkStat**") at www.turkstat.gov.tr, the Central Bank of the Republic of Turkey (the "**Central Bank**" or "**CBRT**") website at www.tcmb.gov.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of January 2019 and September 2019 and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Base Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer's management internal research, constitute the best current estimates of the information described.

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

Certain information under the heading "*Book-entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. 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 the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Information regarding the Bank's shareholders (including ownership levels and agreements) in "*Overview of the Group and the Programme – The Group*", "*Business of the Bank*" and "*Share Capital and Ownership*" has been based upon public filings and announcements by such shareholders.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Notwithstanding anything herein to the contrary, the Issuer may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus contains statements that may be considered to be "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Act of 1995. Forward-looking statements appear in a number of places throughout this Base Prospectus, including, without limitation, under "*Risk Factors*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business of the Bank*" and elsewhere in this Base Prospectus, and include, but are not limited to, statements regarding:

- strategy and objectives;
- trends affecting the Bank's results of operations and financial condition;
- asset portfolios;
- loan loss reserve;
- capital adequacy;
- legal proceedings; and
- the Bank's potential exposure to market risk.

The forward-looking statements may also be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "probability", "risk", "target", "goal", "objective", "future" or similar expressions or variations on such expressions.

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

The Bank has identified some of the risks inherent in forward-looking statements under "*Risk Factors*" in this Base Prospectus. Factors that could cause actual results to differ materially from those in forward-looking statements include, among others:

- changes in the Turkish economy;
- changes in the banking and financial markets in Turkey;
- changes in international relations, including any developments in the conflicts in Iraq, Syria or Ukraine;
- changes in the Bank's ownership or other changes in policy by its shareholders;
- changes in applicable laws and regulations, including taxes, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Turkey, the EU, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition in the markets in which the Bank operates, which may be influenced by regulation or deregulation;
- changes in consumer spending, saving and borrowing habits in Turkey, including changes in government policies which may influence investment decisions;
- the Bank's ability to hedge certain risks economically;
- the Bank's ability to manage any mismatches between the Bank's interest earning assets and the Bank's interest bearing liabilities;
- the Bank's ability to manage operational risks and prevent security breaches;

- the Bank's ability to grow the Bank's loan portfolio at historical rates;
- the Bank's ability to compete in the Bank's business lines and increase or maintain market share;
- the Bank's ability to control expenses;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by the Bank's clients;
- the Bank's ability to carry out acquisitions, disposals and any other strategic transactions;
- the Bank's ability to manage liquidity risks and to access financial markets;
- the Bank's success in managing the risks involved in the foregoing, which depends, among other things, on the Bank's ability to anticipate events that cannot be captured by the statistical models the Bank uses; and
- *force majeure* and other events beyond the Bank's control.

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Bank's results or the accuracy of forward-looking statements in this Base Prospectus. Therefore, you should not consider the factors discussed here or under "*Risk Factors*" to be a complete set of all potential risks or uncertainties.

You should not place undue reliance on any forward-looking statements. The Bank does not have any intention or obligation to update forward-looking statements to reflect new information, future events or risks that may cause the forward-looking events the Bank discusses in this Base Prospectus not to occur or to occur in a manner different from what the Bank expects.

TABLE OF CONTENTS

Page

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Base Prospectus. In addition to the other information in this Base Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks related to the Group's Business, Turkey, the Turkish Banking Industry, and the Notes, before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected.

In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Related to the Group's Business

The Group's business, results of operations, financial condition and prospects are affected by general economic conditions in Turkey

As of 30 September 2019, 96.56% of the Group's total assets and the majority of the Group's operations were in Turkey. As a result, the Group's business and results of operations are primarily affected by economic conditions in Turkey. Turkish GDP growth has fluctuated in the past several years with GDP growth of 6.1% in 2015, 3.2% in 2016, 7.5% in 2017, 2.8% in 2018 and (0.9%) in the nine months ended 30 September 2019 according to TurkStat. Turkey's economic conditions have weakened since the latter half of 2018 due to a number of macroeconomic factors, including the depreciation of the Turkish Lira, higher interest rates, increasing political uncertainties and global developments. Weaker economic conditions in Turkey could adversely impact the Group's business and operating results as a result of:

- reduced consumer confidence and decreases in business activity resulting in reduced demand for the Group's loans and fee and commission generating services;
- deterioration of creditworthiness of companies and individuals resulting in impairments on assets and/or collateral as well as increased levels of non-performing loans ("**NPLs**") and amounts of loan impairment charges;
- reduced, or no, access to capital markets due to unfavourable market conditions increasing funding costs and higher liquidity and financing risk; and
- lower deposit growth and/or increased competition for deposits leading to higher funding costs.

The deterioration of macroeconomic conditions in Turkey has already impacted the Turkish banking sector in several ways including (i) the high interest rate environment which increased the cost of funding, and lending rates, (ii) negative/slow economic growth and increased inflation which negatively impacted the demand and supply for lending and the asset quality of both corporate and retail loans, and (iii) volatility in the exchange rate which also impacted both the asset quality and capital ratios of the Turkish banking sector. Accordingly, continued weakness in Turkish economic conditions could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

For further discussion of how conditions in Turkey affect the Group, see "*—Risks Related to Turkey*".

The Group's business is affected by international financial markets and global macroeconomic conditions

As an open, emerging economy with a reliance on external funding, Turkey's economy is significantly impacted by global macroeconomic conditions, particularly those that impact emerging markets (including the U.S. Federal Reserve monetary policy). Accordingly, negative developments in international financial markets and global macroeconomic conditions may have a negative impact on the Turkish economy and could adversely impact the Group's business and operating results as a result of the factors discussed above in "*—The Group's business, results of operations, financial condition and prospects are affected by general economic conditions in Turkey*".

Since 2017, global credit and capital markets have been negatively affected by the increased possibility of global central banks' monetary tightening, mounting concerns over the possibility of a global trade war and the state of international political relations. In 2019, conditions in financial and credit markets have been more volatile, with the U.S. Federal Reserve reducing interest rates by 25 basis points ("**bps**") in each of July, September and October 2019 citing weaker conditions in the global economy and trade tensions. Any deterioration of global economic conditions or monetary tightening is likely to have a negative impact on the business, financial condition and/or results of operations of the Group.

The Group is subject to credit risk in relation to its borrowers and counterparties

The Group's business is subject to inherent risk concerning the credit quality of borrowers and counterparties, which affects the value of the Group's assets. Systemic risks and macroeconomic factors in the Turkish and global financial system discussed above can all impact the credit quality of the Group's customers and counterparties and negatively affect the value of the Group's assets.

As a result of weaker economic conditions in Turkey, NPL ratios have increased in the Turkish banking sector and for the Group. According to BRSA statistics, the ratio of NPLs to total loans in the Turkish banking sector was 3.1% as of 31 December 2016 (Group: 4.8%), 2.9% as of 31 December 2017 (Group: 4.4%), 3.8% as of 31 December 2018 (Group: 5.5%) and 4.8% as of 30 September 2019 (Group: 6.7%). The Turkish banking sector's NPL amount in TL increased by 37% as of 30 September 2019, compared to 31 December 2018, while the Group's NPL amount in TL increased by 27% in the same period, due to worsening asset quality resulting from the challenging operating environment and macro and political uncertainties. During the first nine months of 2019, the Bank classified several exposures as Stage 2 loans and NPLs. As of the first nine months of 2019 as a result of worsening macroeconomic condition, the BRSA's directive on NPL classification and the Bank's proactive and conservative asset quality management approach, Stage 2 loans to gross loans and NPL ratio increased to 16.2% and 6.9% respectively. See "*Turkish Regulatory Environment—Loan Loss Reserves*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Results of Operations for the Nine Months Ended 30 September 2019 and 2018—Allowance for Expected Credit Losses*".

In particular, the Group may be subject to increased credit risk as its business strategy is strongly focused on certain segments and lending as higher margin generating asset classes, such as the retail segment, small medium enterprise ("**SME**") loans (9% of total loans as of 30 September 2019), general purpose loans (10% of total loans as of 30 September 2019) and credit cards generally (13% of total loans as of 30 September 2019), as well as on Turkish companies and project finance lending. Some of these segments are generally viewed as riskier segments with higher NPL levels and could place additional pressure on the asset quality of the Group. As of 30 September 2019, the ratio of NPLs to total loans in the credit card segment of the Turkish banking sector was 5.4% (Group: 3.5%) and in the commercial instalment loans segment was 7.5% (Group: 12.5%). In particular, negative developments in the Turkish economy, including the continued slowdown of GDP growth in Turkey, could affect consumer and SME borrowers more than large corporates, resulting in higher NPL levels and greater provisioning. As of 30 September 2019, the Group's share of performing loans and receivables in the consumer (including general purpose, auto and mortgage loans) segment was 15%, in the credit card segment (including corporate credit cards) was 13%, in the corporate segment was 72% and in the commercial instalment segment was 10%. As of 30 September 2019, the Group's restructured loans constituted 7% of the Bank's aggregate loan portfolio, compared to 2% as of 31 December 2018, and the Group's watch loan ratio was 15.4%, compared to its level of 13.5% as at 31 December 2018.

The Bank also issues loans to SME borrowers under Turkey's Credit Guarantee Fund ("**CGF**") programme (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis by Segment—Retail Banking*"). CGF is subject to funding limits and any positive impact on growth may only be short-term. Lending pursuant to the CGF programme could have a negative impact on the asset quality of the Group due to the possibility that SME borrowers entail greater risks than corporate borrowers.

In addition, the corporate sector may be particularly exposed to foreign exchange risk so far as corporate loans are denominated in foreign currencies. Borrowers under such corporate loans are susceptible to depreciation in the Turkish Lira if they do not have adequate foreign currency reserves or hedging, particularly if currency issues are compounded by particular macroeconomic factors that impact certain sectors or clients (such as the potential combined impact of Turkish Lira depreciation and global oil price reductions on the energy sector). As such, the Group's NPLs could materially increase in the near to medium term, in particular if there is a deterioration in macroeconomic conditions in Turkey.

The Group also has a substantial portfolio of derivative financial assets, including currency forwards, currency and interest rate swaps, options, interest rate cap and floor arrangements and credit default swaps. As of 30 September 2019, the Group's total recognised derivatives had a notional value of TL 426,949,577 thousand, and the fair values of the derivative assets and liabilities were TL 5,193,242 thousand and TL 8,208,011 thousand, respectively. The Group is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under these derivative financial assets. Furthermore, growth in the Group's loan portfolio may lead to an increase in loan to deposit ratios, unless matched by deposit growth.

Exposure to any or all of these credit risks could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Group may not have sufficient loan loss provisions

The Group records loss provisions in line with regulatory requirements and maintains capital ratios in excess of regulatory minimums, but such provisions and capital buffers may be insufficient for future credit losses, particularly if macroeconomic conditions in Turkey worsen more than anticipated, including as a result of lower earnings of the Group, declines in asset quality and foreign exchange volatility. The Group's total loss provisions have increased in recent years and amounted to TL 3,301,579 thousand or 1.37% (net of collections cost of risk) of gross loans and receivables as of 31 December 2016, TL 3,133,497 thousand or 1.07% (net of collections cost of risk) of gross loans and receivables as of 31 December 2017, TL 7,112,841 thousand or 2.57% (net of collections cost of risk) of gross loans and receivables as of 31 December 2018 and 5,722,017 thousand or 2.62% (net of collections cost of risk) of gross loans and receivables as of 30 September 2019. The Group's specific loan loss provisions amounted to TL 2,187,865 thousand or 1.11% (net of collections specific cost of risk) as of 31 December 2016, TL 2,829,333 thousand or 0.92% (net of collections cost of risk) of gross loans and receivables as of 31 December 2017, TL 4,622,317 thousand or 1.88% (net of collections specific cost of risk) as of 31 December 2018. Stage 3 provisions amounted to TL 4,881,867 thousand or 2.18% (net of collections specific cost of risk) as of 30 September 2019. The current level of provisions by the Group may not be sufficient to cover future losses and the Group may have to create significant additional provisions for possible credit losses in the future. The Group's provisioning policy was also impacted in 2018 by the adoption of IFRS 9, which in effect increased the sensitivity of the Bank's provisions to macroeconomic volatility, including the impact of exchange rate depreciations on Stage 1 and Stage 2 provisions. Any failure by the Group to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Bank is subject to liquidity and financing risks

The Bank is exposed to liquidity risk, arising out of mismatches between the maturities of the Bank's assets and liabilities, which together with increased market volatility and changes in general economic conditions, may contribute to the Bank not being able to meet its net funding requirements at a reasonable cost, or at all. A significant portion of the Group's funding base consists of short-term debt and deposits and the Group has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. As of 30 September 2019, deposits comprised 55.05% of the Group's total liabilities and, of all deposits, 90.14% had maturities of three months or less.

In addition, the Group has increased the portion of its funding raised on the international markets, particularly with respect to longer denominated liabilities given the short term nature of its deposit portfolio, and may need to access additional wholesale funding in the future to refinance existing liabilities, to balance the duration gap of its portfolio and to fund any future growth. As of 30 September 2019, the Group had a total of TL 44.4 billion of funds borrowed from wholesale sources, of which TL 42.4 billion of other borrowed funds from foreign sources, and TL 1.9 billion of debt securities in issue, in relation to its diversified payment rights securitisation and issued bonds in local currency. In order to cover the maturity mismatch from short-term funding and long-term lending, the Group has raised longer-term funds in the form of syndications, securitisations and other loans, almost all of which are denominated in foreign currency. As of 30 September 2019, the Group's total foreign currency denominated bank deposits and borrowings constituted 19.34% of its consolidated foreign currency liabilities excluding equity and total bank deposits and borrowings with maturity of one year or more was 4.59% of total foreign currency liabilities excluding equity. The Group may have difficulties extending this type of funding source and such funding may become more difficult and costly in the event of further Turkish Lira depreciation.

The Bank's liquidity risk could be increased by market disruptions or credit downgrades, which may reduce the availability of funding. The Group's liquidity and financing risks may also be adversely affected by increases in interest rates. See "*—The Group may be negatively affected by volatility in interest rates*".

The Bank may be unsuccessful in managing its liquidity and maturity profile in the future. Particularly in light of the volatility in the market for emerging market debt, the Bank may have difficulty obtaining financing or extending and/or refinancing its existing indebtedness.

The Bank is subject to risks in its trading activities

As part of the Bank's treasury operations, it trades various securities and derivatives, including debt, equity, fixed income, currencies and commodities and related derivatives, as both agent and principal, and it derives a portion of its non-interest income from profits earned in such trades.

The Bank may be exposed to a number of risks related to changes in the value of such securities and derivatives, including the risk of unfavourable market price movements relative to its long or short positions, a decline in the market liquidity of the related 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 Bank chooses to hedge certain positions do not track the market value of those positions. Failure to earn profits or incurring losses from trading activities as the result of such risks could have a material adverse effect on the Bank.

In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in interest rates. As of 30 September 2019, total nominal interest rate swap volume (including cross currency interest rate swaps) amounted to TL 208,193,060 billion, out of which TL 101,111,846 billion were under hedge accounting and thus not affected by interest rate fluctuations. Nominal interest rates are sensitive to many factors beyond the Group's control, including monetary policies pursued by the Turkish government (the "**Government**") and both domestic and international economic and political conditions.

The Group may be negatively affected by volatility in interest rates

The Group may also be adversely affected by changes in interest rates. For example, if interest rates increase, the interest on the Group's liabilities (predominantly short-term) may rise more quickly than on its assets, resulting in deteriorating interest margins.

If the Group is unable for any reason to reprice or adjust the rates on its interest earning assets in response to changes in rates on its interest bearing liabilities in an expedited or an effective manner as a result of economic or other reasons, then the Group's interest income margins would be adversely affected. An increase in interest rates may reduce the demand for loans from the Group and its ability to originate loans. In addition, higher interest rates increase the Group's deposit and borrowing costs and the Group may be required to seek alternative sources of liquidity and funding, which may only be available at increased cost or have limited or no availability. A decrease in the general level of interest rates may affect the Group through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in interest rates, see "*—The Bank is subject to risks in its trading activities*".

The Bank monitors interest rate risk from local and foreign currency assets separately. Under its risk management framework, the Bank's foreign currency assets and liabilities are managed to align their maturities, taking into account the Bank's expectations for international interest rate performance. However, interest rate risk from local currency assets is more pronounced due to the lag between the repricing of longer maturity assets and shorter maturity liabilities. When interest rates rise, the Group may be adversely affected by the repricing lag because its assets will retain lower interest rates as the interest on its liabilities rises resulting in an increase in interest expense relative to interest income, reducing margins and the Group's net interest income. For example, in the second half of 2015 and the first three months of 2016, interest rates and deposit costs rose faster than loan repricing, which negatively impacted local currency net interest margins. For a description of the Group's interest rate risk management, see "*Risk Management*".

The nine months ended 30 September 2019 and the years ended 31 December 2018, 2017 and 2016 were characterised by a high degree of volatility in interest rates and changes in the Central Bank's policy, as a result of a number of factors, including continued global volatility as well as increased political volatility in Turkey, which, among other factors, led S&P and Moody's to downgrade Turkey's sovereign credit rating. See "*—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.*"

Accordingly, any volatility in interest rates can significantly affect the Group's results of operation and financial condition. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Interest Rates*".

The Group's loans and receivables may be concentrated among its largest borrowers and in certain industries

As of 30 September 2019, the Group's loans to and receivables from its 20 largest borrowers or borrower groups amounted to TL 35,311,744 million, or 15.2% of its total loans and receivables, as compared with TL 33,177 million, or 14.7% of its total loans and receivables as of 31 December 2018, TL27,142 million, or 15% of its total loans and receivables as of 31 December 2017, TL 26,000 million, or 15% of its total loans and receivables as of 31 December 2016. Any impairment in the ability of one or more of these borrowers or borrower groups to service or repay their obligations to the Group could have a material adverse effect on the Group's financial condition and results of operations. The Banking Act No. 5411, effective from 1 November 2005 (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.

As of 30 September 2019, the Bank's top ten sectors accounted for 47.3% of the Bank's gross cash loans. A further downturn or slower recovery in any of these sectors (particularly the construction and energy sectors, which are primary areas of focus for the Bank), individually or in the aggregate, may adversely affect the financial condition of the companies operating in such sectors and may result in, among other things, a decrease of funds that such corporate customers hold on deposit with the Bank, a default on their obligations owed to the Bank or a need for the Bank to increase its provisions in respect of such obligations. Similarly, a downturn of any one or more of the Bank's largest customers' financial positions may have similar effects.

Findings of the BRSA Financial Health Report (as defined in "*Turkish Regulatory Environment—Audit of Banks*") are typically finalised by the end of the year and may impact the classification of loans for certain borrowers and industries. For example, the BRSA Financial Health Report for 2019, once finalised, may result in an impact on the Bank's loan portfolio for the energy sector despite the Group having largely re-classified loans as necessary in the first half and in the third quarter of the year. The Group will make any changes necessary for compliance, such as potentially increasing provisions for any remaining stage 3 re-classifications as well as further pre-cautionary increases in provisions for stage 2 loans in the last quarter of the year. Such changes can impact the Group's financial planning, for example, for 2019 full year cost of risk is expected to be slightly higher than its guidance threshold of 300 bps and management anticipates that the Group's NPL ratio may be higher than the previous guidance threshold.

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks

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 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Management*". The Group's risk management strategies and techniques may fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.Some of the Group's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could therefore be significantly greater than historical measures indicate.

In particular, the Group may be unable to correctly assess the creditworthiness of credit applicants. The increase in the Group's loan portfolio (including a significant portion of unseasoned loans) has increased the Group's credit exposure and requires continuous improvement to internal monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme, particularly in its retail segment (including SMEs). A Turkish centralised credit bureau monitors and controls consumer credit information (including credit cards), but it includes only data shared by the Group and its competitors in Turkey, not information from other non-bank entities, such as utility companies. The Group uses internal models and scorecards (which incorporate credit bureau information), but the Group is not always independently able to confirm information provided by prospective clients and such models and scorecards could prove inadequate. New models and scorecards for retail customers launched in January 2018, including for SMEs. Any failure of the Group's risk management procedures could also increase the Group's credit risk. See "*—The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks*".

In addition, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Group calculates using mathematical models and the deterioration of assets like these could lead to losses that the Group has not anticipated. If the Group's measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Further depreciation of the Turkish Lira may adversely impact the Bank's business, results of operations and financial condition

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly U.S. dollars and euros. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/(losses) realised upon the sale of such assets, to Turkish Lira when preparing its financial statements. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira against foreign currencies (primarily the U.S. dollar and euro). The overall effect of exchange rate movements on the Group's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. On average, management currently estimates that a 10% depreciation of the Turkish Lira would result in an average of 63 bps CET1 and 53 bps capital adequacy ratio erosion for the Bank. In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in the value of the Turkish Lira against foreign currencies. For a description of the Group's risk management strategies, see "*Risk Management*".

Until February 2001, it was the stated policy of the Central Bank to devalue the Turkish Lira against the U.S. dollar in line with inflation. However, in recent years the depreciation of the Turkish Lira has not been consistent with inflation rates as a result of a variety of factors, including both domestic and international factors. The value of the Turkish currency against the U.S. dollar has been volatile over the last years, primarily as a result of uncertainties surrounding the political and economic landscape. The Turkish Lira depreciated by 39.5%, 7.2% and 21.0% and against the U.S. dollar, in 2018, 2017 and 2016, respectively. The exchange rate was TL 3.52 per U.S. dollar as of 31 December 2016, TL 3.77 per U.S. dollar as of 31 December 2017, TL 5.26 per U.S. dollar as of 31 December 2018 and TL 5.66 per U.S. dollar as of 30 September 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Exchange Rates*".

The Group is exposed to volatility in the securities markets

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2016, 2017, 2018 and the nine months ended 30 September 2019, accounting for 12.6%, 15.0%, 20.2% and 15.3%, respectively, of its total interest income.

The Bank's position in certain Government securities in particular, involves a risk that downward movements in the price of these securities could have a material adverse effect on the Group's business, financial condition and results of operations. The Group has a substantial portfolio of Government debt securities, which amounted to 13.2% of the Bank's total interest earning assets as of 30 September 2019. Any default by the Government in the payment of its securities held by the Bank would result in direct loss to the Bank. In addition, a default by the Government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally. A continued decline in the returns from the Bank's trading and investment securities, continued increased sales of Government securities and/or a decline in the market value of Government securities could lead to a material adverse effect on the Bank's business, financial condition and results of operations.

While the contribution of income from the Group's securities portfolio has been relatively significant over recent years, the Group expects that with the normalisation of the CPI inflation, resulting in lower interest income from the CPI-linked securities ("**CPI-linkers**"), such income will not be as large in coming years. The Bank did not undertake any major bond sales from the Group's securities portfolio during 2016, 2017, 2018 and 2019.

The Group's capital adequacy ratio and its ability to obtain funding may be affected by changes to its credit ratings and the credit ratings of Turkey.

If the Rating Agencies negatively revise current ratings or outlooks for Turkey, the Bank or the Notes, such change could materially adversely affect the trading value of the Notes, the Group's ability to finance its operations or the expected expansion of its business going forward. A change in credit rating could adversely affect the Bank's calculation of its capital adequacy ratio. The Bank calculates its capital adequacy ratio according to the 2016 Capital Adequacy Regulation published by the BRSA, which allows the Bank to use only Fitch ratings to calculate the risk-weighted assets for capital adequacy purposes. See "*Management Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy*".

Credit ratings also affect the cost and other terms upon which the Group is able to obtain funding. Rating Agencies regularly evaluate the Bank and their ratings of the Bank's long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. For more on the risks associated with the credit rating assigned to the Notes see "*—Risks Related to the Notes Generally—Credit ratings – Credit ratings assigned to the Bank or any Notes may not reflect all risks associated with an investment in those Notes*".

In addition, any downgrade in Turkey's credit rating would likely have a significant negative impact on the Turkish banking sector generally and might have a material adverse effect on the Bank's own rating and its business, financial condition and/or results of operations. For example, in both 2018 and 2019, each of Moody's, S&P and Fitch downgraded the Bank's rating or those of its financial products following the downgrade or negative review of the Turkish government's sovereign rating, debt rating or its foreign currency deposit ceiling.

Overall, management expects that Turkey's downgrade to below investment grade bond status may have medium-term negative implications on key macroeconomic balances. Any future or potential further downgrades of the Turkish sovereign rating could negatively affect the Rating Agencies' perception of the Bank's rating. See "*—Risks Related to Turkey—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects—Increased political risks following the coup attempt of July 2016*", for further discussion of the reasons behind Turkey's sovereign debt rating downgrades and associated affects on the Bank. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Turkish Economy*" for more detail on the Rating Agencies' rating actions.

The Group is controlled by two large shareholders and has business with related parties

The Bank is controlled by Koç Finansal Hizmetler A.Ş. ("**KFS**"), which is jointly owned by Koç Holding A.Ş. and its affiliates (the "**Koç Group**"), one of the largest conglomerate groups in Turkey, and UniCredit S.p.A. ("**UniCredit**"), an international financial services group engaged in a wide range of banking, financial and related activities in Europe. KFS owns 81.90% of the Bank's outstanding shares while the balance is held by minority shareholders. The Koç Group and UniCredit each own 50% of the shares of KFS.

On 30 November 2019, UniCredit and the Koç Group announced an agreement to change the Bank's ownership structure. According to the agreement, UniCredit's stake in the Bank is to reduce to 31.93% while the Koç Group's stake is to increase to 49.99%. The completion of the shareholding reduction is subject to regulatory approvals in all relevant jurisdictions and is expected to take place in the first half of 2020. See "*Recent Developments*".

A reduction in UniCredit's stake and change in the Bank's ownership structure may involve further changes to the relationship between the Bank and UniCredit. UniCredit may decide to discontinue its business with the bank or financial or other support for the Bank, which may have an adverse effect on the Bank's business, results of operations and credit rating. UniCredit's involvement in the Bank's market risk management, and assistance in identifying candidates to fill management roles within the Group may be subject to change or termination.

The announced change in the Bank's ownership structure would also provide some lenders with an opportunity to call outstanding loans under change of control provisions relating to, for example, the Group's syndicated loans described in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Sources of Funding—Funds Borrowed*". As of the date of this Base Prospectus, no lender has informed us of any intent to call outstanding loans but we cannot assure that lenders will not do so in the future.

Following the successful completion of the transaction, the Koç Group will control the Group as the controlling shareholder and will have will have the power to appoint board members and senior executives of the Bank and determine the outcome of most matters to be decided by shareholders' resolutions. The interests of the controlling shareholder and/or the BRSA may differ from those of the Bank and its creditors. As a result, the controlling shareholder and/or the BRSA may prevent the Bank from making certain decisions, may take certain actions that would benefit them or may take certain actions that fail to protect the interests of the Bank's other constituencies, including investors in the Notes. The Bank's decisions and actions may prioritise the long-term interests of the Group, rather than the interests of the Noteholders. The Bank's decisions in such cases may negatively affect the Noteholders.

The Bank believes that the continued involvement of the Koç Group is important in the pursuit and implementation of the Bank's strategy, including providing an important source of business for the Group. In the future the Koç Group may decide not to remain a shareholder or may discontinue its business with the Bank or financial or other support for the Bank. The Bank's credit rating, business and results of operations may be materially adversely affected if the major shareholder ceases to control the Bank.

The Group may suffer a failure or interruption in, or breach of its information systems

The Group relies heavily upon information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If the Group's information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thereby lose business. Likewise, a temporary shutdown of the Bank's information systems could result in costs that are required for information retrieval and verification. In addition, despite its investments in IT infrastructure, failure to update and develop the Group's existing information systems as effectively as its competitors may result in a loss of the competitive advantages that it believes its information systems provide. Although the Group has developed business continuity plans, back-up systems and a disaster recovery centre, and expects to be able to continue its critical operations through branches and digital channels in case of emergency, no assurance can be given that failures will not occur. As part of its two year investment strategy, significant investment has been made for disaster recovery and cyber security infrastructure, but such effort may be insufficient.

The Group's business may be subject to labour disputes

The Group is exposed to the risk of labour disputes and other industrial actions. In total, as of 30 September 2019, 9,632 of the Bank's employees were members of the Union of Employees working at Banks and Insurance Companies (*Banka ve Sigorta İşçileri Sendikasi*) (the "**Union**"), amounting to approximately 56% of the Bank's employees. The Bank may experience strikes, work stoppages or other industrial actions in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Bank's business, financial condition and/or results of operations. See "*Business of the Bank—Employees*".

The Group is subject to operational risk

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or outsiders, 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 is also subject, from time to time, to service interruptions to third party services such as telecommunications, which are beyond the Group's control. Such interruptions may result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. While the Group maintains a system of controls designed to monitor and control operational risk, there can be no assurance that the Group will not suffer losses from such risks. Losses from the failure of the Group's system of internal controls to discover and rectify such matters could have a material adverse effect on the Bank's business, financial condition and/or results of operations. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Bank or the Group will be unable to comply with its obligations as a company with securities admitted to listing on the Official List and admitted to trading on the Regulated Market.

The Group is dependent on its senior management and other personnel

The Bank is dependent upon its senior management to implement its strategy and the operation of its day-to-day business. In addition, retail, corporate and other business relationships of members of senior management are important to the conduct of the Bank's business. See "*Management*". If members of the Group's senior management were to leave, then the relationships that those employees have and which have benefited the Group may end.

In addition, the Bank's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. Any failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Group's consolidated financial statements under BRSA may not provide investors with the same information as financial statements prepared under IFRS

The Group has prepared its financial statements in Turkish Lira and in accordance with BRSA Principles (as defined in "*Presentation of Financial and Other Information—Presentation of Financial Information*"). The Group's BRSA financial statements may not provide investors with the information they would have received if the financial statements were prepared under IFRS. BRSA Principles differ in certain significant respects from IFRS. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and BRSA Principles and how these differences might affect the financial information in and incorporated by reference into this Base Prospectus. For more information, see "*Appendix 1—Overview of Significant Differences Between IFRS and BRSA Accounting Principles*".

Risks Related to Turkey

As of 30 September 2019, 96.56% of the Group's total assets and the majority of the Group's operations were in Turkey. Therefore, the Group's business and results of operations are primarily affected by economic conditions in Turkey.

Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects

Turkey has from time to time experienced volatile political social conditions, including a failed coup d'état attempt in July 2016. The Justice and Development Party (*Adalet ve Kalkinma Partisi*) (the "**AKP**") has been in power since 2002 and has been able to govern without reliance upon a coalition partner. As a result of the elections held on 7 June 2015, the AKP's position declined, receiving approximately 41% of the votes. With these elections, the People's Democracy Party (*Halkın Demokratik Partisi*) (the "**HDP**") entered Parliament for the first time. A new election was held on 2 November 2015. With this election, the AKP's position was strengthened with approximately 49.9% of the votes, which was once again sufficient to establish a council of ministers without a coalition.

Following the November 2015 elections, the AKP announced its intention to replace the existing constitution with a new constitution and to create an executive presidency and Mr. Recep Tayyip Erdoğan was elected President. Following the constitutional amendments enacted with the referendum held on 16 April 2017, the president became entitled to be the head of a political party, and on 21 May 2017, Mr. Recep Tayyip Erdoğan was re-elected as the chairman of the AKP. Mr. Recep Tayyip Erdoğan was re-elected in snap elections held on 24 June 2018. On 9 July 2018, Mr. Recep Tayyip Erdoğan announced the new cabinet, including non-AKP members and Mr. Berat Albayrak, his son-in-law, as the new treasury and finance minister. Significant uncertainty remains regarding the economic agenda of the new government, the independence of the Central Bank, and whether orthodox reform plans will be accomplished. Such uncertainty was aggravated by the dismissal of the Central Bank governor on 6 July 2019 by the President, followed by dismissal of additional senior Central Bank officials, which heightened doubts over the Turkish authorities' tolerance for a period of sustained below-trend growth and disinflation. Local elections took place on 31 March 2019. However, the Supreme Election Board of Turkey (*T.C. Yüksek Seçim Kurulu*) has cancelled the results of the elections in İstanbul (which showed a narrow lead for the opposition party). The repeat local elections were held on 23 June 2019 and resulted in the transition of the control of İstanbul municipality from AKP to the main opposition party the Republican People's Party (*Cumhuriyet Halk Partisi*). All these factors could significantly impact investors' perceptions of Turkey and its future growth.

Changes in the governance and operation of Turkey's institutions, could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the actual or perceived independence of such institutions.

In May and June of 2013, Turkey experienced widespread internal unrest including protests and demonstrations against the then-current Government's policies. Since late 2013, Turkish politics have been particularly volatile, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who have since resigned) on suspicion of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Government, police and judiciary. The Government's responses to these events have included the removal of certain prosecutors and police from their offices and proposals to change the manner in which the police and judicial authorities are supervised by the national Government, which has led to concerns about the separation of powers.

Recently, the BRSA's regulatory actions regarding Bank Asya (which resulted in the SDIF taking control of Bank Asya on 3 February 2015) have incurred criticism from a number of Turkish politicians. The BRSA announced it was taking such action due to Bank Asya's violation of a provision of the Banking Law that requires banks to have transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the bank by the BRSA. On 29 May 2015, the management of Bank Asya was transferred to SDIF through the BRSA's decision and the activity licence of Bank Asya was revoked by the BRSA's decision dated 22 July 2016. On 16 November 2017, the Istanbul First Commercial Court of First Instance ruled on the bankruptcy of Bank Asya.

The uncertainty after the election on 7 June 2015 pertaining to government prospects also led to a pick-up in Kurdish insurgence as of mid-July, despite the historical election success of the predominantly Kurdish Party HDP. On 4 November 2016, two joint leaders of the HDP along with some prominent MPs from the HDP were detained (and later convicted), which was followed by a widespread difficulty in reaching social media websites. Political analysts point out that detention or conviction of high-profile members of the HDP may lead into a higher risk of instability arising from insurgent activities.

In the referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution. Such amendments include articles to extend the powers of the president. As a result (*inter alia*): (a) the then-current parliamentary system has been transformed into a presidential one, (b) the president has been entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister has been abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the cabinet members has been annulled and (e) the president has increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek*

Kurulu)). Most of the amendments brought by the referendum entered into force through the early elections that were held on 24 June 2018. It remains unclear, as of the date of this Base Prospectus, what impact such structure might have in the future on Turkish government institutions. As such, political uncertainty is likely to continue.

The political instability in Turkey may continue and the political situation in Turkey may further deteriorate. Actual or perceived political instability in Turkey or any negative changes in the political environment, including further conflicts between senior politicians in Turkey or the failure of the Government to devise or implement appropriate economic programmes, may individually or in the aggregate adversely affect the Turkish economy and, in turn, the Group's business, financial condition, results of operations and prospects and the value of the Notes. In particular, any perception that the constitutional change to an executive presidency may restrict parliamentary and judicial supervision of executive decisions may also increase political instability or otherwise negatively impact investors' perception of the Turkish political climate, which could result in a number of negative impacts, including deteriorating asset prices and weaker economic activity.

Increased political risks following the coup attempt of July 2016

Turkey has also experienced controversies between the Government and the military. 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, after the failed coup attempt, the Turkish President announced, pursuant to Article 120 of the Turkish Constitution, a nationwide state of emergency, which was extended ultimately until July 2018, 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. The state of emergency, however, ended in July 2018.

The government has 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 to the business community. There may be disruptions in the operations of public institutions (such as the BRSA and the CMB) as teams are reorganised, which may impact operations in the Bank that are dependent on such public institutions. As of the date of this Base Prospectus and to the best of the Bank's knowledge, investigations and trials with respect to the attempted coup are ongoing. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws. Any future investigations may include customers of the Bank, which could impact such customers' ability to meet their obligations and may in turn result in an adverse impact on the Bank's loan portfolio. The ongoing investigations following the failed coup attempt have contributed to uncertainty surrounding the Turkish political environment. Despite signs of political unity in the immediate aftermath of the coup attempt, tensions between political parties have increased, especially during the parliamentary approval process for constitutional changes, in the aftermath of the referendum and prior to the snap general and presidential elections. Any further consolidation of political power due to the executive presidency and the restructuring of government institutions may have a detrimental effect on political checks and balances.

During July 2016, Moody's placed Turkey's sovereign credit rating and the ratings of 17 Turkish banks on review for potential downgrade; S&P downgraded Turkey's sovereign rating and those of five Turkish banks; and Fitch changed Turkey's sovereign rating outlook from "stable" to "negative." Moody's then downgraded Turkey's sovereign rating in September 2016. On 4 November 2016, although S&P affirmed the country's long-term foreign credit rating at BB, it upgraded its outlook for Turkey's sovereign credit rating to "stable" from "negative" on 4 November 2016. On 27 January 2017 it downgraded its outlook for Turkey to "negative" from "stable", citing mainly the sharp depreciation of the Turkish Lira against the U.S. dollar and insufficient monetary policy response, which together pose a serious inflationary risk. In addition, on the same day, Fitch downgraded Turkey's sovereign credit rating to "BB+" from "BBB-", based on the potential adverse effects of the constitutional referendum on checks and balances, the renewal of the state of emergency related to the coup attempt and damaged consumer confidence and tourism sector due to recent terrorist attacks. On 17 March 2017, Moody's changed Turkey's rating outlook to "negative" from "stable", citing as the driver the increased risk of a credit shock due to (i) the continuing erosion of Turkey's institutional strength, (ii) its weaker growth outlook and (iii) heightened pressures on Turkey's public and external accounts. However on the same day, Moody's affirmed Turkey's government debt and issuer ratings at "Ba1". On 5 May 2017, S&P affirmed Turkey's rating and outlook as BB and negative. On 14 June 2019, Moody's downgraded the Turkey's long-term issuer and senior unsecured bond ratings to "B1" from "Ba3" and maintained the negative outlook, on the back of its view that the risk of a balance of payments crisis continues to rise, and with it the risk of a government default, which Moody's mainly attributes to the Turkey's high reliance on external capital across all sectors of the economy. On 12 July 2019, Fitch downgraded Turkey's sovereign rating to "BB-" from "BB", mainly based on (i) the dismissal of the central bank governor on 6 July 2019, which heightened doubts over the Turkish authorities' tolerance for a period of sustained below-trend growth and disinflation according to Fitch, and (ii) the risk of U.S. sanctions triggered by delivery of S-400 missile components from Russia, which Fitch expects to be of a "relatively mild form with minimal direct economic effect" but which might have a significant impact on the sentiment according to Fitch. On 17 August 2018, S&P downgraded Turkey's rating to "B+" from "BB-" and maintained the stable outlook**.** On 1 November 2019, Fitch revised the outlook on Turkey's sovereign rating to stable from negative, and affirmed at "BB-", citing continued progress in rebalancing and stabilisation of the Turkish economy with an improved current account balance, however noting Turkey's gross external financing requirement as a source of vulnerability. On 12 November 2019, following its revision of Turkey's long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable, including that of the Bank. On 13 December 2019, following the announcement of an agreement to change the Bank's ownership structure as described under *"Recent Developments*", Fitch revised the Group's outlook from stable to negative. For further discussion of the risks associated with the credit ratings of Turkey and the Bank see "*—Risks Related to the Group's Business—The Group's capital adequacy ratio and its ability to obtain funding may be affected by changes to its credit ratings and the credit ratings of Turkey*"

The political and social circumstances surrounding the attempted coup and its aftermath (including rating downgrades of Turkey and the Bank) or other political developments could have a negative impact on the Turkish economy and institutions (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), the institutional and regulatory framework, the Bank's liquidity and/or conditions (financial or otherwise) and/or the value and/or market price of an investment in Notes issued under the Programme.

Conflict and uncertainty within Turkey or in neighbouring and nearby countries may have a material adverse effect on the Group's business, financial condition, results of operations or prospects

Turkey is located in a region that has been subject to on-going political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as Iraq, Syria, Iran, Georgia, Cyprus, Egypt, Ukraine and Armenia has historically been one of the potential risks associated with an investment in Turkish securities.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Syria, Iraq, Egypt, Libya, Tunisia, Jordan, Bahrain and Yemen. Tensions have also increased between a number of Middle Eastern states, notably Iran and Saudi Arabia. Unrest in these countries (as well as global tensions with Iran and between Russia and Ukraine) may have political implications in Turkey or otherwise have a negative impact on Turkish economy, including through both financial markets and the real economy.

Risks associated with the conflicts in Syria and Iraq

Political instability in the Middle East was recently exemplified by the internal conflict in Syria and Iraq and tension between Iran and Israel. Recent developments in Iraq raise concerns as Iraq is one of Turkey's largest export markets, ranking fourth in 2018 according to TurkStat and the Energy Market Regulatory Board (*Enerji Piyasası Düzenleme Kurumu*).

In 2014, ISIL and aligned forces began a major offensive in northern Iraq against the Iraqi government, capturing several cities and other territory in this region and oil fields in eastern Syria. In August and September 2014, a U.S. led coalition began an anti-ISIL aerial campaign in northern Iraq and Syria. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against ISIL in Syria and against the People's Congress of Kurdistan, formerly known as PKK in northern Iraq. Although the Bank does not have significant direct exposure with respect to Iraq, many Turkish companies, including many of the

Bank's clients, do have such exposure. Therefore, the unrest in Syria and Iraq could have a material negative impact on the Turkish economy, the business of the Bank's clients and consequently also the Group.

Moreover, unrest and protests broke out among Kurdish groups within Turkey as a result of the events in Syria. For example, in early October 2014, ISIL besieged the Syrian Kurdish town of Kobani and the Government did not authorise the deployment of military forces to the Syrian-Turkish border to prevent the city from falling under the control of ISIL, resulting in demonstrations that resulted in 52 deaths. Tensions continued to rise after a series of bombings, including the bombing of a "help-Kobani" event that resulted in the death of 31 people excluding the suicide bomber and almost concurrent alleged PKK attacks against the Turkish Army and security forces.

On 25 September 2017, the Kurdish Regional Government in Northern Iraq held a referendum for the independence of the region administered by the Kurdish Regional Government in Northern Iraq. Turkish government officials announced that Turkey will not recognise the outcome of the referendum and might take punitive measures, including economic sanctions (e.g. cutting off the pipeline that allows the transport of oil from Northern Iraq to third countries) and closing its airspace and border crossing to Northern Iraq. On 16 October 2017, Turkey closed its airspace to the Northern Iraqi Kurdish region and, in 2018, the Turkish military began a cross-border operation in Northern Iraq to prevent terrorist activities against Turkey. As of the date of this Base Prospectus, the possible political and economic impact of such referendum remains unknown.

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 deems to be terrorist organisations. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria following a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, escalating tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation to be an appropriate response to the suspected chemical attack. Any impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown. In the meantime, the Turkish military's operations against organisations that Turkey deems to be terrorist organisations continue in Syria. Given the continuing hostilities in Syria and the number of parties involved, it is very difficult to predict the impact of the continuing tensions on the geopolitical stability in the broader region, including Turkey, and any potential resulting adverse effect on the Turkish economy, as well as on the Bank's business, financial condition, results of operations and prospects.

Elevated levels of conflict in Iraq and Syria have also caused a significant displacement of people. The high number of refugees within Turkey's borders and foreign intelligence agents infiltrating both refugee camps and local communities remain current threats. Turkey is among the countries that have taken a significant number of Syrian refugees with a negative economic, political and social impact on Turkey.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Given Turkey's close proximity to the conflict zone, Turkey has deployed additional troops near the Syrian border since the beginning of the conflict to strengthen its military position. In August 2016, Turkey's military began direct operations in Syria to combat ISIL and the People's Protection Units, a Kurdish separatist group in northern Syria. The Presidency made a statement after the Turkish Security Council meeting of 30 July 2019 chaired by the President Recep Tayyip Erdoğan, that Turkey will continue its operations against the PKK in the northern Iraq and is determined to make efforts to create a "peace corridor" along the Turkish border with Syria. On 9 October 2019, the Turkish Air Force launched "Operation Peace Spring" with airstrikes in northern Syria intended to expel armed groups which the Turkish Government views as terrorist organisations, including the Syrian Democratic Forces ("**SDF**") which Turkey views as linked to the PKK, from the border area and create a "peace corridor". On 14 October 2019, the President of the United States issued an executive order and the OFAC added the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence, as well as the relevant ministers, to its list of specially designated nationals and blocked persons. Several European countries imposed an arms embargo on Turkey. On 17 October 2019, the U.S. and Turkey agreed on a deal in which Turkey agreed to suspend its operations in Syria for 5 days in return for a complete withdrawal by the SDF from a safe zone south of the Syria-Turkey border. On 22 October 2019, the President of Turkey Recep Tayyip Erdoğan and the President of the Russian Federation Vladimir Putin agreed to maintain the status quo in the northern Syria reached as a result of "Operation Peace Spring". On 23 October 2019, the President of the United States announced that there was a "permanent" ceasefire in the region and sanctions on Turkey would therefore be lifted. On 29 October 2019, in response to the recent operations in northern Syria, the U.S. House of Representatives passed a bill with a majority of 403 votes to 16, envisaging potential sanctions on Turkey, Türkiye Halk Bankası A.Ş. and on any foreign financial institution that the U.S. State Department determines to have knowingly facilitated significant transactions for the Turkish Armed Forces or Turkey's defense industry related to "Operation Peace Spring"; however, such bill has not been introduced to the Senate yet and does not have legal power as of the date of this Base Prospectus. As a result of any further events in northern Syria (including continued operations of Turkey), tensions with international stakeholders could further increase, and Turkey may face increased economic and/or security risks, if terrorists seek to retaliate for increased military actions, or if the U.S. or European countries take restrictive or punitive actions against Turkey, Turkish economy or Turkish institutions. Such restrictive or punitive actions, escalating diplomatic and political tensions with the U.S. or other countries, 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 the Notes. In addition, any escalation of political instability or international military intervention in Syria and/or a more aggressive stance by Assad's allies, Russia, Iran, and China against Turkey and opposition supporters may act as a destabilising factor for Turkey.

Risks from events affecting Turkey's relationship with Russia

Heightened tensions between Turkey and Russia over Syria or events in Ukraine could materially negatively affect the Turkish economy, including through any negative impact on Turkey's tourism revenues or its access to Russian energy supplies. Russia has become Turkey's second largest trading partner and the largest supplier of natural gas to Turkey. Any disruption to the relationship with Russia might have a material adverse effect on the Group's business, financial condition and/or results of operations and on the market price of the Notes.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which has resulted in deterioration in the relationship between Turkey and Russia and led to Russia implementing certain sanctions against Turkey. The impact on Turkey's economic relationship with Russia and geopolitical implications remain uncertain.

In addition, 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 on its borders, including Russia effectively taking control of Crimea (followed by Crimea's independence vote and absorption by Russia) have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, persons and sectors, including Russian financial, oil and defence companies, as a result of the conflict. While not directly impacting Turkey's territory, the dispute could 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. This, in turn, may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks from events affecting Turkey's relationship with the United States

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 retaliated by issuing a statement that restricts the visa application process for United States citizens. While visa services have since returned to normal, relations between the two countries remained strained on various topics, including the conviction of an executive of a state-controlled bank, Türkiye Halk Bankası A.Ş. (who was released in July 2019 after serving his sentence), for bank fraud and conspiracy to violate U.S. sanctions laws in assisting Iran to evade U.S. sanctions and the related judicial process against Türkiye Halk Bankası A.Ş. Furthermore, in August 2018 the United States had imposed sanctions on two Turkish ministers and increased import taxes on Turkish steel and aluminium. Nonetheless, on 12 October 2018, a Turkish court released a detained American pastor who had been arrested in October 2016, and the United States removed the sanctions imposed on Turkish ministers. In addition, on the week of 2 November 2018, certain U.S.

sanctions on Iranian financial and energy sectors and on certain other imports from Iran, were re-imposed. Nevertheless, the United States granted Turkey a partial exemption allowing it to import limited amounts of oil from Iran for six months. However, such exemption was not renewed at the end of the six month period and it remains uncertain whether Turkey will, or will be able to, comply with such U.S. sanctions against Iran. Any similar events in the future, including any operations of the Turkish armed forces in Syria targeting organisations that Turkey deems to be terrorist organisations related to People's Congress of Kurdistan (formerly known as the PKK), in connection with the potential U.S. withdrawal from Syria, including any restrictive or punitive actions adopted by the U.S. and/or EU institutions in connection with operations and/or actions of Turkey in the northern Syria and/or Turkey's compliance with any further prospective U.S. sanctions against Iran might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have a negative impact on the Turkish economy. The relationship with the United States was also impacted by Turkey's agreement to acquire a U.S.$2.5 billion S-400 air and missile defense system from Russia in December 2017. In response, the United States announced that Turkey will be removed from the F-35 program under which Turkey acquires fighter jets from the United States and the United States has threatened further sactions. As of the date of this Base Prospectus a bill to impose new sanctions as the result of Turkey's acquisition of the S-400 defense system and for Turkey's military involvement in Syria is under consideration in the U.S. Senate. As such, political uncertainty might continue. Furthermore, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the judicial process against Türkiye Halk Bankası A.Ş.) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. As of the date of this Base Prospectus, the final outcome in relation to the judicial process, including any appeal and whether any sanction, fine or penalty will be imposed by the Office of Foreign Assets Control ("**OFAC**") or any other U.S. regulatory body on Türkiye Halk Bankası A.Ş. or any other Turkish bank or person in connection with those matters, as well as the possible reaction of the financial markets to any such events or speculation regarding such events, is unknown. Actual or perceived political instability in Turkey, escalating diplomatic and political tensions with the United States or other countries, 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 the Notes.

Risks from events affecting Turkey's relationship with the EU

In March 2016, Turkey signed an agreement with the EU in an effort to control the irregular flow from Turkey to the EU of the refugees, mainly displaced due to the conflict in Syria. However, such agreement has not been fully implemented in accordance with its terms as of the date of this Base Prospectus, and the Turkish officials stated in 2019 that the EU has not fulfilled yet its undertakings made under such agreement.

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. Diplomatic or political tensions between Turkey and member states of the EU or other countries might impact trade or demand for imports and exports.

In the recent years, several important natural gas reserves have been discovered in the eastern Mediterranean, in the territorial waters and exclusive economic zone of the island of Cyprus. Both the Republic of Southern Cyprus, an EU member but not legally recognized by Turkey, supported by Greece, and the Turkish Republic of Northern Cyprus, not legally recognized by the EU and supported by Turkey, lay claim to gas in these waters and launched drilling activities. In its conclusions of 15 July 2019, the Council of the EU recalled its previous conclusions, and stated that (i) such drilling activities of Turkey, which the Council deems illegal, have a serious immediate negative impact across the range of EU-Turkey relations, (ii) it has decided not to hold further meetings of the EU-Turkey high-level dialogues for the time being, (iii) it endorses the European Commission's proposal to reduce the pre-accession assistance to Turkey for 2020, and (iv) it invites the European Investment Bank (the "**EIB**") to review its lending activities in Turkey, notably with regard to sovereign-backed lending. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities.

The events described above and any similar events in the future, including deterioration of the relations between Turkey and Greece due to the matter of eastern Mediterranean natural gas reserves and any prospective actions which might be taken by the EU in response to Turkey's aforementioned activities in the eastern Mediterranean or northern Syria, might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and might have a negative impact on the investors' perceptions of Turkey and the broader Turkish economy, for reasons including the lack of Turkey's access to EU funding.

Risks relating to domestic terrorism

Terrorist attacks and the threat of future terrorism have had and could continue to have a material adverse effect on Turkey's capital markets, the level of tourism, foreign investment and other elements of the Turkish economy and ultimately on the Bank's financial condition and results of operations. Turkey experienced increasing incidents of terrorist attacks in 2016, both from ISIL and the People's Congress of Kurdistan, formerly known as PKK. On 29 June 2016, a terror attack struck Istanbul's Atatürk International Airport, which resulted in at least 42 people killed and more than 230 injured. On 10 December 2016, 44 people were killed and more than 160 were injured as a result of twin bombings in central Istanbul, whereas the attack was claimed by TAK, a PKK splinter group. On 1 January 2017, 39 people were killed and 69 were injured following a shooting in a nightclub in Istanbul. The attack was linked to ISIL. On 5 January 2017, two people were killed and 11 other were wounded in a terrorist attack in Izmir which was further claimed by TAK. While the Bank's property and business interruption insurance covers damage to insured property directly caused by terrorism, such amounts may be insufficient to cover any losses that it may incur.

Other risks from events affecting Turkey's international relations

On 2 October 2018, a Saudi journalist went missing after entering the Saudi consulate in Istanbul. The Istanbul prosecutors started a criminal investigation about the incident, and on 31 October 2018, the chief prosecutor of Istanbul issued a written statement about the investigation. According to such statement, evidence was found that the Saudi journalist was killed intentionally in the Saudi consulate and investigations are continuing. As of the date of this Base Prospectus and to the best of the Bank's knowledge, judicial process in Turkey and Saudi Arabia is continuing, and the outcome of such process and their implications on the relationship between Turkey and Saudi Arabia are not clear or predictable.

The Turkish government may default on its debts

Turkish banks have traditionally invested a large portion of their assets in securities issued by the Government. As of 30 September 2019, 93.4% of the Group's securities portfolio was invested in securities issued by the Government (representing 13% of its total assets), compared to 94% as of 31 December 2018 (representing 13% of its total assets). The Group's securities to assets ratio was 13.7% as of 30 September 2019, in comparison with the 15.0% average for private banks (as of 31 December 2018, the Group's ratio was 13.4%, with the average for private banks being 13.4%). In addition to any direct losses that the Group might incur, a default, or the perception of an increased risk of default by the Government in making payments on its securities or the downgrade in Turkey's credit rating would likely have a significant negative impact on the Turkish banking system generally and thus may affect the Bank's business, financial condition and/or results of operations.

Turkey's economy is subject to inflation and risks relating to its current account deficit

In the past, Turkey has experienced high annual rates of inflation. This has historically been considered one of the most significant problems faced by the Turkish economy. Over the five-year period ended 31 December 2002, the Turkish economy experienced annual inflation averaging approximately 54.4% per year as measured by the CPI. Turkey adopted an open inflation targeting framework in 2006 with binding inflation targets. Inflation was reduced, but consistently remained above the Central Bank's medium-range target of 5%, and was driven by a succession of inflationary shocks such as the depreciation of the Turkish Lira, a surge in commodity prices in 2007 and 2008, temporary increases in government expenditure and increased taxes, *etc*.

Although prior policies have had some success in reducing inflation from its formerly high levels, inflation has increased again in recent years and such policies may not be successful in the future, especially given Turkey's substantial current account deficit and global liquidity conditions. The yearly CPI for 2016 was 8.53%. As of June 2017, CPI stood at 10.9%, mainly driven by the increase in the price of alcoholic beverages and tobacco, transport and healthcare services. As at 31 December 2017, CPI stood at 11.9%, mainly driven by the pass-through effects of the depreciation of the Turkish Lira and rising food prices. As at

31 December 2018, CPI stood at 20.30%, mainly driven by the increase in the prices of home appliances and food and non-alcoholic beverages. As of June 2019, CPI stood at 15.72% on a yearly basis and 0.03% on a monthly basis, driven upwards mainly by the increase in restaurant and hotel prices and downwards primarily by the decrease in the prices of food and non-alcoholic beverages. As of October 2019, CPI stood at 8.55% on a yearly basis, which is a lower rate of increase compared to the rates experienced in the first half of 2019, such lower rate being primarily attributed to the positive base effect created by the CPI of October 2018 which had stood at 25.24% on a yearly basis.

If the level of inflation in Turkey fluctuate or increase significantly (for any reason), then the Bank's costs may increase, and, if not accompanied by an increase in interest rates, then its operating and net margins may decrease. Inflationary pressures may also curtail the Bank's ability to access foreign financial markets and may lead to further Government intervention in the economy, including the introduction of Government policies that may adversely affect the overall performance of the Turkish economy. The various impacts of inflation thus may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Central Bank closely monitors the U.S. Federal Reserve's actions and takes action to maintain price and financial stability. Between December 2015 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% nine times. However, in July 2019, the U.S. Federal Reserve halted its rate-increasing cycle, cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on 1 August 2019, two months earlier than planned. The U.S. Federal Reserve further cut the U.S. federal funds rate by 0.25% in each of September and October 2019. Whether the U.S. Federal Reserve will further cut the U.S. federal funds rate, or rather increase the rate, and the impact of such changes is uncertain. The Turkish Lira and certain other emerging market currencies may depreciate against the U.S. dollar if the U.S. Federal Reserve does not ease monetary policy to the degree expected by the financial markets. Primarily due to changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. dollar by 30% from the second quarter of 2017 to the second quarter of 2018, and from TL 4.56 to 1 U.S. dollar at the end of June 2018 to TL 6.88 to 1 U.S. dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States. Nevertheless, due to, among other factors, tight monetary stance of the Turkish Central Bank and favourable monetary stance of the developed-country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated from TL 6.55 to 1 U.S. dollar at the end of August 2018 to as low as TL 5.47 to 1 U.S. dollar in August 2019 and stands at TL 5.75 to 1 U.S. dollar as of 28 November 2019.

The size of Turkey's current account deficit or adverse changes in its balance of payments position (including the availability of external financing for Turkey) could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations. On a 12-month basis, Turkey's current account deficit declined to U.S.$29.4 billion as of June 2016. However, the trend of decline reversed in the third quarter of 2016 due to the depreciation of the Turkish Lira against the U.S. dollar. Turkey had current account deficits of U.S.$32.6 billion (3.8% of GDP) in 2016, U.S.$47.2 billion (5.5% of GDP) in 2017. However, Turkey's current account deficit significantly decreased to U.S.$27.0 billion (3.4% of GDP) in 2018, on a 12-month basis, and the current account reached a surplus of U.S.$1.2 billion (0.2% of GDP) and U.S.$5.9 billion (0.8% of GDP) as at 30 June 2019 and at 30 September 2019, respectively, on a 12-month rolling basis, primarily because of the decrease in the external trade deficit. Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey), as well as an increase in energy prices, might result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues.

Turkey is an energy-dependent country and any geopolitical development concerning energy security could have a material impact on Turkey's current account balance. Turkey recorded U.S.$24.0 billion of net energy imports in 2016. In 2016 Turkey's current account deficit reached U.S.$32.6 billion and energy imports represented 15.1% of Turkey's total imports during 2016. In 2017, Turkey's current account deficit and net energy imports stood at U.S.$47.2 billion and U.S.$32.9 billion, respectively. In 2018, Turkey's current account deficit and energy imports were U.S.$27.0 billion and U.S.$38.6 billion, respectively. As of September 2019, Turkey's 12-months rolling current account balance and net energy imports were U.S.$5.9 billion and U.S.$35.6 billion, respectively. Recovering oil prices since 2016 have had an adverse impact on Turkey's current account balance and may face further adverse impacts if oil prices continue to increase. If geopolitical tensions escalate in the Middle East and lead to further concerns around global energy supply, such as any events prejudicing the oil trade in the Strait of Hormuz or any country which is a major global oil supplier (such as Saudi Arabia) or any prospective sanctions imposed by the United States and/or the EU on Iran; oil prices may increase and this may entail a higher current account deficit for Turkey. A higher current account deficit may have an adverse effect on the overall performance of the Turkish economy and thus may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The current account deficit still remains a significant concern for policy makers and may be subject to further intervention. Should the Central Bank adopt any additional measures to limit any increase in the current account deficit, such measures would likely reduce economic growth and, in turn, have a material adverse effect on the Bank's business, financial condition and/or results of operations. However, given Turkey's savings and investments structure, it is not possible for Turkey to achieve its targeted growth figures without current account imbalances. Should the current account deficit widen persistently, this may lead to a sudden adjustment in the Turkish Lira with inflationary consequences, similar to the depreciation in the value of Turkish Lira against foreign currencies and the subsequent rise in inflation in the second half of 2018.

The value of the Turkish Lira fluctuates against other currencies

Macroeconomic uncertainties may result in volatility in the value of the Turkish Lira, which could in turn adversely impact the Bank's capital adequacy and, if there is any downturn in the global financial markets, this could have an adverse effect on Turkey's debt servicing ability. In particular, the value of the Turkish Lira depreciated against major currencies in the recent years largely due to the increased risk perception in global markets regarding Turkey, 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. See "*—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.*" In nominal terms, the Turkish Lira depreciated against the U.S. dollar by 7.2% between 31 December 2016 and 31 December 2017 and by 39.5% between 31 December 2017 and 31 December 2018. The Turkish Lira depreciated from TL 4.56 to 1 U.S. dollar at the end of June 2018 to TL 6.88 to 1 U.S. dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States, causing the Central Bank and the BRSA to announce measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated to TL 6.14 to 1 U.S. dollar, but has continued to exhibit substantial volatility with continuing pressure. In the third quarter of 2019, the Turkish Lira depreciated against the U.S. dollar by 7.6%, from TL 5.26 to 1 U.S. dollar as at 31 December 2018, to TL 5.66 to 1 U.S. dollar as at 30 September 2019

Between December 2015 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% nine times. Primarily due to changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. dollar by 30% from the second quarter of 2017 to the second quarter of 2018. In this context, the Central Bank has taken certain actions against the Turkish Lira's depreciation: (i) in April 2018, the Central Bank increased its highest interest band, the late-liquidity window lending rate, by 75 bps to 13.5%, (ii) on 23 May 2018, it increased the same rate to 16.5%, (iii) on 28 May 2018, it announced that the decision to set the one-week repo rate as the policy rate effective as of 1 June 2018, at a level equal to the then-current late-liquidity window lending rate, 16.5%, as part of its efforts of simplifying the monetary policy, and (iv) on 7 June 2018, it raised that policy rate by 125 bps to 17.75%. However, in its monetary meeting on 24 July 2018, the first since the snap general and presidential elections held on 24 June 2018, the Central Bank did not raise the policy rate, leading to an appreciation of the U.S. dollar against the Turkish Lira of 1.6% from 24 July 2018 to 25 July 2018. Furthermore, from 29 June 2018 to 13 August 2018, the Turkish Lira depreciated from TL 4.56 to 1 U.S. dollar, to TL 6.88 to 1 U.S. dollar, based on various factors, including: (i) the imposition of sanctions by OFAC over the detention of an American pastor, which included the freezing of assets of the Turkish Minister of Justice and Interior Minister and the doubling of U.S. tariffs on steel and aluminium imports from Turkey, and the possibility of further increases in political tension between the United States and Turkey, (ii) the tightening, and the potential of further tightening, of the monetary policy in the United States and Europe, (iii) concerns over the external financing requirements of the Turkish Treasury's and certain Turkish companies' foreign-currency denominated debt, (iv) concerns around the Central Bank's interest rate policy, particularly in relation to real interest rates, and (v) investors' perception of the Turkish political and economic environment, especially with respect to the independence of Turkey's financial institutions, including the Central Bank. On 13 August 2018, the Central Bank announced certain Turkish Lira and foreign-currency liquidity management measures, including increasing the foreign-exchange deposit limits of the Turkish banks, in order to ensure the financial stability and the efficiency of the financial markets. Furthermore, on 14 August 2018, the Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements and (i) lowered the Turkish banks' Turkish Lira reserve requirement ratios by 250 bps for all maturity brackets and all liabilities and (ii) lowered the reserve requirement ratios by 400 bps for up to 3-year maturities, and all foreign-exchange liabilities other than deposits. In addition, in the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate, at 150 bps above the one-week repo rate, as the main lending rate. The BRSA has also taken certain measures against the depreciation in the Turkish Lira, including the prevention of Turkish banks from using foreign-exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25% of the banks' regulatory capital, calculated daily on a standalone and consolidated basis. Following the announcement of these measures, the Turkish Lira appreciated from TL 6.88 to 1 U.S. dollar as at 13 August 2018, to TL 6.14 to 1 U.S. dollar as at 15 August 2018. Further, on 13 September 2018, the Central Bank increased the policy interest rate (one-week repo rate) from 17.75% to 24%, which led to an appreciation in Turkish Lira by 19.7% against the U.S. dollar, from TL 6.55 to 1 U.S. dollar at the end of August 2018, to TL 5.26 to 1 U.S. dollar as at the end of December 2018, along with other factors including the release by a Turkish court of a detained American pastor in October 2018, and the subsequent removal by the United States of the sanctions imposed on Turkish ministers.

In July 2019, the Central Bank cut the one-week repo rate by 425 bps to 19.75%, whereas the U.S. Federal Reserve halted its rate-increasing cycle and cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on August 1, two months earlier than planned. In this context, due to, among other factors, tight monetary stance of the Turkish Central Bank and favourable monetary stance of the developed-country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated by 4.0% from TL 5.76 to 1 U.S. dollar as at 28 June 2019, to TL 5.52 to 1 U.S. dollar, as at 1 August 2019. Further, the Central Bank continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 and by 200 bps to 12.00% in December 2019. In the same period, the U.S. Federal Reserve cut the U.S. federal funds rate further by 0.25% in each of its Federal Open Market Committee meetings of September 2019 and October 2019, lowering the target range for the federal funds rate to 1.50% to 1.75%. If the Central Bank lowers the one-week repo rate faster than expected and/or the U.S. Federal Reserve does not further lower the U.S. federal funds rate, while at the same time, the Central Bank further cuts the one-week repo rate; the Turkish Lira may depreciate against the U.S. dollar, which may adversely affect the financial condition of the clients of the Group, their ability to service debts owed to the Group, the Group's ability to service its foreign currency denominated liabilities (including any liabilities under the Notes) and/or Turkey as a whole.

For a discussion of risks related to current account imbalances and the impact of the Central Bank's intervention, see "*—Turkey's economy is subject to inflation and risks relating to its current account deficit*".

The exchange rate remains volatile. Any significant further depreciation of the Turkish Lira against the U.S. dollar or other major currencies may adversely affect the financial condition of Turkey as a whole and may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Turkey's economy may be impacted by adverse events in other emerging markets

Emerging markets such as Turkey are subject to a greater risk of being perceived negatively by investors based upon external events (for example, volatility in the emerging markets, monetary policies in the United States and the Eurozone, continued violence in Syria and Iraq or a slowdown in China's growth) than more-developed markets are, and financial turmoil in any emerging market (or global markets generally) could have a "contagion" effect and disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging markets tends to adversely affect stock prices and the prices for debt securities in all emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

While the impact of the global financial crisis of 2008 on Turkey was relatively limited, Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. Similar developments can be expected to affect the Turkish economy in the future, which might, in turn, have an adverse impact on the prices of obligations of Turkish capital markets issuances, including the Notes.

Turkey's economy has been undergoing a significant transformation and remains subject to ongoing structural and macroeconomic risks

Since the mid-1980s the Turkish economy has moved from a highly protected state-directed system to a market-oriented free enterprise system. Reforms have, among other things, largely removed price controls and reduced subsidies, reduced the role of the public sector in the economy, emphasised growth in the industrial and service sectors, liberalised foreign trade, reduced tariffs, promoted export growth, eased capital transfer and exchange controls, encouraged foreign investment, strengthened the independence of the Central Bank, led to full convertibility of the Turkish Lira by accepting Article VIII of the International Monetary Fund's (the "**IMF**") Articles of Agreement and overhauled the tax system.

However, the Turkish economy has also experienced a succession of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, significant current account deficits, high rates of inflation and high real rates of interest. These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies, particularly between 1994 and 2001. As of 30 September 2019, general government nominal debt to GDP ratio was 30.2%. This ratio has remained relatively stable and was 29.1%, 28.2% and 28.8% as of 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

In 2001, Turkey implemented a macroeconomic programme, backed by a U.S.$19.0 billion stand-by agreement with the IMF. The Government signed a further three year stand-by agreement with the IMF in 2005. After having successfully completed the two stand-by arrangements with the IMF, Turkey paid the last instalment to the IMF in May 2013 and is currently not liable for further payments. Although there were negotiations on the conditions of a new stand-by agreement between Turkey and the IMF in 2009, these negotiations were unsuccessful and the Government has refrained from signing a new agreement with the IMF, citing disagreement over issues such as funding for local government.

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 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. Regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey's economy and/or the financial condition or one or more industries within Turkey.

Furthermore, Turkey may not be able to remain economically stable during any periods of renewed global economic weakness due to its reliance on external demand and external financing. GDP growth was 3.2% in 2016 primarily supported by government consumption with all other sub segments performing worse than the prior year. In 2017, with the contribution from government incentives targeting recovery of the economic activity, GDP growth increased to 7.5%. In 2018, even with the contribution of government spending, GDP growth decreased to 2.8%. GDP decreased by 0.9% in the nine months ended 30 September 2019 compared to the same period in 2018 according to data from TurkStat, primarily as the result of the negative impact of reduced domestic demand mostly driven by contraction in private consumption and investments. On the other hand, external demand supported GDP in the first nine months of 2019, as a result of increase in exports and weakening imports mostly due to depressed consumption and investments. Future negative developments in the Turkish economy and failure to achieve growth targets could impair the Bank's business strategies and have a material adverse effect on the Bank's business, financial condition and results of operations.

In October 2016, the government announced a three year medium-term economic program from 2017 to 2019. Under this program, the government set growth targets of 4.4% for 2017 and 5.0% for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. In October 2017, the Ministry of Development announced a new medium-term economic program, covering the years from 2018 to 2020, setting growth targets of 5.5% for each of 2018, 2019 and

2020, and inflation rates of 7.0%, 6.0% and 5.0% for 2018, 2019 and 2020, respectively. 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 estimates were revised 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 2.8%) and the inflation rate was estimated to be 20.8%, 15.9%, 9.8% and 6.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as 20.3%). The New Economic Programme was updated in October 2019. The updated New Economic Programme set the GDP growth estimates as 0.5% for 2019 and 5.0% for each of 2020, 2021 and 2022. Further, it has estimated the inflation rate as 12.0%, 8.5%, 6.0% and 4.9% for 2019, 2020, 2021 and 2022, respectively. There can be no assurance that these targets will be reached, that the Turkish government will continue to 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 while maintaining a lower funding rate, the current account deficit and macroeconomic and political factors, such as changes in oil prices and uncertainty related with conflicts in Iraq and Syria (See "*—Conflict and uncertainty within Turkey or in neighbouring and nearby countries may have a material adverse effect on the Group's business, financial condition, results of operations or prospects*") and the political developments in Turkey, including the uncertainty resulting from the structural changes to implement the new constitutional presidential system entered into force with the snap general and presidential elections held on 24 June 2018. (See "*—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects*").

Any of these developments might cause Turkey's economy to experience macro-economic 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. See "*—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector".*

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 energy-related projects (including renewables and non-renewables). For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism, which might or might not in fact occur in light of geopolitical, economic or other factors. Any such overdevelopment might lead to a rapid decline in prices of these and other properties, or to the failure of some of these projects. Even if these events do 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 these events occur, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkey's economy may be impacted by uncertainty in the EU

The EU is Turkey's principal export market. If the EU economies suffer any growth setback or if other factors have an adverse impact on Turkey's exports to EU, the country's growth performance would suffer, exposing the Bank and its customers to macroeconomic and operational risks.

On 23 June 2016, the United Kingdom (the "**UK**") voted in favour of leaving the EU. The negotiation of the terms of the UK's exit may take a number of years, has already been delayed, and is likely to increase volatility in global financial markets as well as in the EU. As of the date of this Base Prospectus, the situation and consequences of the leave vote in the UK (and the UK's decision in March 2017 to trigger Article 50 and commence the process of leaving the EU, and with the new deadline set for 31 January 2020) remain highly uncertain, including the possible impact on European and global economic and market conditions and the possible impact on Sterling, euro and other European currencies. In addition, any future withdrawal by another Member State from the EU and/or European Monetary Union, any significant changes to the structure of the EU and/or European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks Related to the Turkish Banking Industry

The Turkish banking system is subject to systemic risks

The Turkish financial sector has gone through major changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, the liberalisation of deposit and credit interest rates and liberal exchange rate policies, as well as the adoption of international banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility of the Turkish Lira and foreign exchange markets experienced in 1994, 1998 and in 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 banks.

Following this crisis, the Government made structural changes to the Turkish banking system to strengthen the private (i.e., non-governmental) banking sector and to allow it to compete more effectively against the state-controlled banks (Türkiye Halk Bankası A.Ş. ("**Halkbank**"), Türkiye Vakiflar Bankası T.A.O. ("**Vakıfbank**") and T.C. Ziraat Bankası A.Ş. ("**Ziraat**")). In 2017, the state shares in Ziraat and Halkbank were transferred to the Turkish Sovereign Wealth Fund (*Türkiye Varlık Fonu*) (the "**TWF**"). However, there has been no change in the legal status of any of the banks transferred to the TWF, and the TWF is expected to be managed by the Turkey Wealth Fund Management Joint Stock Corporation (*Türkiye Varlık Fonu Yönetimi A.Ş.*), the sole shareholder of which is the Privatization Administration (*Özelleştirme İdaresi Başkanlığı*) of the Ministry of Treasury and Finance of the Republic of Turkey. Notwithstanding these changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey and the Turkish banking sector in particular were to suffer another crisis, this could result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system. See "*Turkish Regulatory Environment*" in this Base Prospectus for a further discussion of the Turkish banking regulatory environment.

Increased competition in the Turkish banking sector could have a material adverse effect on the Group

The level of competition in the Turkish banking sector has remained intense in the past several years as a result of the increased presence of public banks in the private sector and foreign bank interest in Turkey. According to the BRSA, as of 30 September 2019, the top seven banking groups in Turkey (including the Bank), three of which are state-controlled, held in aggregate, approximately 76% of the Turkish banking sector's total loan portfolio, approximately 74% of total banking assets in Turkey and approximately 80% of total deposits in Turkey. Loan growth in the banking sector in Turkey was 17% during 2016, 21% during 2017, 14% during 2018 and 6% during the third quarter of 2019, while deposit growth was 17%, 16%, 19% and 14%, respectively, according to BRSA weekly data.

In addition to private banks, the Bank also faces competition from state-owned financial institutions, such as Halkbank, Vakıfbank and Ziraat. These government-owned financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector (including retail and SMEs), thereby increasing competition and pressure on margins. In particular, such government-owned institutions may have access to payroll accounts of state employees, low cost deposits (on which such institutions pay low or no interest) through State Economic Enterprises owned or administered by the Government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-owned financial institutions, in addition to ongoing competitive pressures from private financial institutions, have caused net interest margins to decline across the Turkish banking market.

During recent years, foreign banks have shown an increased interest in the banking sector in Turkey. Foreign banks such as BNP Paribas, Banco Bilbao Vizcaya Argentaria S.A., Industrial and Commercial Bank of China, Burgan Bank, ING, Qatar National Bank, Commercial Bank of Qatar, UniCredit and Emirates NBD have acquired interests in Turkish banks. In addition, various banks, such as Odeabank and Bank of China, have also established their own franchises. The Bank believes that further entries into the Turkish banking sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could further increase competition in the market. In addition to direct investment, foreign banks are expanding their business presences in Turkey, further increasing competitive pressures. Most recently, the transfer of 99.85% shares of Denizbank to Emirates NBD was completed as of 31 July 2019. There can be no assurance that further competitive pressures will not result in continued margin compression, which may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector

The activities of the Group are highly regulated and changes to other applicable regulations might have a material adverse affect on the Group's profitability, especially as competition or regulation limit the ability of the Bank to control interest rates or loan rates.

For example, the Central Bank has adjusted reserve requirements for various banking products for different purposes, including to both support and limit credit growth and as a result of foreign currency fluctuations. Further revisions to such reserve requirements, particularly any increased requirements, could have a negative impact on the profitability of the banking sector (including the Group), especially if competition or other factors limit banks' ability to increase loan pricing or loan growth (see also "*Turkish Regulatory Environment—Liquidity Reserve Requirement*" for a summary of the current reserve requirements).

In addition, the Equity Regulation and the 2016 Capital Adequacy Regulation, which regulate, among other things, stress testing for liquidity and the calculation of internal capital adequacy, have been subject to frequent amendment in recent years in order to, among other aims, accomplish BRSA's target of promulgating Basel III (as defined below in "*Turkish Regulatory Environment—Basel III*") requirements by April 2014 (see also "*—International guidelines for banking regulation and implementation in Turkey are subject to ongoing changes*"), introduce changes to BRSA's authority to write off Tier 1 and Tier 2 debt instruments and change the items included in equity calculation, introduce changes to the calculation of risk-weighted assets and the risk-weighing of mortgages. If further amendments prove adverse to the Group they could have a material impact on its profitability and results.

The Central Bank adjusts from time to time the monthly cap on individual credit card interest rates, which was reduced most recently on 6 April 2019 from 2.25% to 2.15% to 2.0% on 29 June 2019 and to 1.60% on 28 September 2019. Further, on 16 October 2019, the Central Bank introduced an amendment to cap the commission rates applied by the banks in their point of sale ("**POS**") business at 1.60%. See "*Turkish Regulatory Environment—Caps on Credit Card Interest Rates and POS Commission Rates*".

Still other regulations limit the expansion of individual loans (especially credit card instalments) and set the fees and commissions that banks may charge customers and limits their levels. BRSA approval is required for any Turkish bank to charge any fees and commissions other than as cited in the regulation.

See "*Turkish Regulatory Environment*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations*" for details on these amendments and other regulations impacting the Group.

Non-compliance with regulations may expose the Group to fines and other repercussions. In 2013, the Group's profitability was negatively impacted by an administrative fine amounting to TL 149,962 (the Bank benefitted from the early payment option and paid a reduced fine of TL 112,471 thousand to the relevant directorate of revenues on 14 August 2013). The fine was imposed against most Turkish banks as a result of the investigation of the Turkish Competition Board regarding the violation of the fourth article of the Protection of Competition Law No. 4054. In September 2013, the Bank also filed a lawsuit against the Turkish Competition Board's decision to the Ankara 2nd Administrative Court, requesting it be annulled and for its advance payment to be returned. Following the rejection of this lawsuit in April 2015, the Bank submitted an appeal in August 2016, with the Council of State against the decision of the Administrative Court. Upon the rejection of the appeal request, an application for rectification was filed with the Council of State. The Council of State held that the decision of the Ankara 2nd Administrative Court concerning the dismissal of the case shall be dismissed in favour of the Bank and the file shall be sent to the court to be re-decided. The Ankara 2nd Administrative Court did not abide by the decision of reversal of the Council of State and the Bank has appealed the decision before the Council of State Plenary Session of the Chambers for Administrative Cases. The legal process remains ongoing as at the date of this Base Prospectus.

The Group's profitability may be materially and negatively affected in the short term and possibly in the long term as a result of a number of such regulatory factors that are generally impacting the Turkish banking sector. If the pressure on net reversals on loans, investment securities and credit related commitments continues, this may have a material adverse effect on the Bank's financial condition and results of operations as well as the Bank's ability to make payments under the Notes. Such factors include increased competition, particularly as it impacts net interest margins (see "*—Risks Related to the Turkish Banking Industry—Increased competition in the Turkish banking sector could have a material adverse effect on the Group*") and the Central Bank and BRSA regulatory actions that seek to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased interest rates, increased reserve requirements, increased general provisioning requirements, changes in the foreign exchange legislation and higher risk weighting for general purpose loans.

The Group is subject to changes in international and domestic banking regulation, which have in the past and may in the future change rapidly

The Group is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations, and limit their exposure to risk. These regulations include the implementation of international standards (particularly in regards to Basel Committee on Banking Supervision requirements) as well as Turkish laws and regulations (and in particular those of the BRSA and the Central Bank), as well as laws and regulations of certain other countries where the Group operates. Banking laws and regulations in Turkey and the manner in which those laws and regulations are applied to the operations of financial institutions are still evolving. New regulations may be implemented rapidly, without substantial consultation with the industry, which may not allow sufficient time for the Group to adjust its strategy to deal with such changes. New regulations may increase the Group's cost of doing business or limit its activities. Turkish banking regulations rapidly changed in the second half of 2011 and 2012 in response to Turkey's robust domestic growth, driven by higher local demand, which widened the current account deficit and strengthened capital inflows. In 2015 and 2016, the BRSA implemented numerous measures as part of its efforts of implementing Basel III which have come into force in recent years. See "*Turkish Regulatory Environment—Basel III*". The BRSA from time to time promulgates new regulations and guidelines as part of its attempt to adjust the Turkish banking system to Basel requirements. See "*—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*".

In the future, new laws or regulations might be adopted, enforced or interpreted in a manner that could increase the Group's cost of compliance and have an adverse effect on the Group's business, financial condition, cash flows and/or results of operations. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions. Changes in these regulations may have a material effect on the Group's business and operations. Moreover, any failure to adopt adequate responses to such changes in the regulatory framework may have an adverse effect on the Bank's business, financial condition, cash flows and/or results of operations.

The Group is dependent on its banking and other licences

The banking and other operations performed by the Bank and its subsidiaries require licences by the relevant authorities in each jurisdiction in which they operate. A large majority of the Group's business depends on the Bank's Turkish banking licence from the BRSA. If the Bank loses its general banking licence, then it will be unable to perform any banking operations in Turkey. Although the Bank believes that it and its subsidiaries have the necessary licences for their banking and other operations and that each of the Bank and its subsidiaries are currently in compliance with their existing material licences and reporting obligations, there is no assurance that they will be able to maintain the necessary licences in the future. The loss of a licence, a breach of the terms of any licence or the failure to obtain any further required licences in the future could have a material adverse effect on the Bank's financial condition and/or results of operations. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Audit of Banks"* and *"Turkish Regulatory Environment—Cancellation of Banking Licence*" in the Base Prospectus.

The Group is subject to risks associated with money laundering and terrorist financing

The Group has implemented internal measures aimed at preventing it from being used as a conduit for money laundering (including illegal cash operations) or terrorist financing. However, such measures, procedures and compliance may not be completely effective. If the Group is associated with money laundering (including illegal cash operations) or terrorist financing, the Bank could suffer serious damage to its reputation, including among its network of correspondent banks in foreign countries, which could affect its ability to maintain existing relationships, attract new business and provide services to its customers. The Group could also become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), which could materially adversely affect the Bank's business, financial condition and/or results of operations.

Risks Related to the Structure of a Particular Issue of Notes

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

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

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

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Change of interest basis – If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which 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, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in relevant Notes.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including EURIBOR, LIBOR and TRYIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied, subject to certain transitional provisions, from 1 January 2018 to the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require 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 (ii) prevent certain uses by EU supervised entities 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 could have a material impact on any Notes linked to or referencing EURIBOR, LIBOR or TRYIBOR, in particular, if the methodology or other terms of EURIBOR, LIBOR or TRYIBOR are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of EURIBOR, LIBOR or TRYIBOR.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could 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 United Kingdom 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 transition EURIBOR to a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on 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 was published for the first time on 2 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 without robust fallback provisions may increase the risk to the euro area financial system. On 6 November 2019 the euro risk free-rate working group published highlevel recommendations for fallback provisions in, among other things, cash products (including bonds) referencing EURIBOR.

It is not possible to predict with certainty whether, and to what extent certain benchmarks will continue to be supported going forwards. This may cause such benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks (including EURIBOR, LIBOR or TRYIBOR): (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) 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, could have a material adverse effect on the value of and return on any Notes linked to, referencing or otherwise dependent (in whole or part) upon certain benchmarks (such as EURIBOR, LIBOR or TRYIBOR).

Condition 6.4 provides for certain fallback arrangements in the event that a relevant benchmark is discontinued or no longer published or a Benchmark Event (as defined in the Conditions of the Notes) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the Conditions of the Notes) on the applicable Notes could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions of the Notes) and that such Successor Rate or Alternative Rate may be adjusted (if required) as a result of the replacement of the relevant benchmark with the Successor Rate or Alternative Rate and amendments could also be made to the Conditions of the Notes and/or the Agency Agreement to ensure the proper operation of the Successor Rate or Alternative Rate, as the case may be, all as determined by the Issuer following consultation with an Independent Adviser (as defined in the Conditions of the Notes) and acting in good faith and in a commercially reasonably manner. Any Adjustment

Spread (as defined in the Conditions of the Notes) that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of a Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory development, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark discontinuation provisions under Condition 6.4 in making any investment decision with respect to any Notes linked to or referencing EURIBOR, LIBOR or TRYIBOR.

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

In the case of Turkish Lira denominated Notes, unless an election to receive payments in U.S. dollars as provided in Condition 7.10 is made, holders of such Notes may need to open and maintain a Turkish Lira denominated bank account, and no assurance can be given that Noteholders will be able to do so either in or outside of Turkey. For so long as such Notes are in global form, any Noteholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Notes) from its account at Euroclear or Clearstream, Luxembourg to which any such payment is made.

Under Condition 7.10, if the Fiscal Agent receives cleared funds in respect of Turkish Lira denominated Notes from the Bank after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. dollar amounts Noteholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If it is not possible for the Fiscal Agent to purchase U.S. dollars with any Turkish Lira funds received, the relevant payments in respect of the Notes will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira denominated Notes for the purposes of Condition 7.10 is irrevocable: (a) its exercise may (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Bank in Turkish Lira, Noteholders will receive the relevant amount in Turkish Lira.

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

Potential price volatility – Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

Risks Related to Renminbi denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

Renminbi is not completely freely convertible; there are still significant restrictions on remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not completely freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction over the years by the PRC Government of control over trade transactions involving the import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Currently, participating banks in a number of jurisdictions (the "**Applicable Jurisdictions**") have been permitted to engage in the settlement of current account trade transactions in Renminbi. However, remittance of Renminbi by foreign investors into and out of the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

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

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Bank's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions imposed by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has Renminbi clearing and settlement mechanisms for participating banks in the Applicable Jurisdictions through settlement agreements (the "**Settlement Agreements**") on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**RMB Clearing Banks**"), and these RMB Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions. However, the current size of Renminbi denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Bank is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the Conditions applicable to Renminbi Notes, the Bank can make payments in U.S. dollars (converted at the spot rate), if RMB Currency Events are specified in the applicable Final Terms.

Investment in Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (as defined in the Conditions of the Notes), the Bank is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions of the Notes allow the Bank to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in the Conditions of the Notes. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a holder's investment in U.S. dollar or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risk.

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the CNY Settlement Centre(s). All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in the CNY Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in the CNY Settlement Centre(s) in accordance with prevailing rules and regulations. Other than described in the Conditions of the Notes, the Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

There may be PRC tax consequences with respect to investment in the Renminbi Notes

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

Risks Related to the Notes Generally

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

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

Under Turkish law, certain obligations of the Bank will rank in preference to the Notes (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any amount that such depositors are not fully able to recover from the Savings Deposit Insurance Fund of Turkey (the "**SDIF**"), claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank). Any such preferential claims may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and may result in an investor in the Notes losing all or some of its investment.

The Notes constitute unsecured obligations of the Bank

The Bank's obligations under the Notes constitute unsecured obligations of the Bank. Accordingly, any claims against the Bank under the Notes would be unsecured claims. The ability of the Bank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

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

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14592 dated 12 January 2009, which has been 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 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. The Bank will have the right to redeem the Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, on the next Interest Payment Date the Bank would be required: (A) to pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 9 on account of any Taxes (as defined in Condition 9.1) and (B) to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, and such requirement cannot be avoided by the Bank taking reasonable measures available to it. Upon such a redemption, investors in such Series of Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes and, in the case of any Floating Rate Notes, the redemption could take place on any relevant date during an Interest Period.

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

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

Although the Notes have been authorised by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the Capital Markets Law and related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered under any applicable state's or other jurisdiction's securities laws, or any applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made outside of the United States pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes may 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.

Further to the Communiqué on Debt Instruments, the Bank is required to notify the CRA within three Istanbul business days from the Issue Date of the relevant Tranche of Notes of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

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

Enforcement of Judgments - Investors may have difficulty enforcing foreign judgments against the Bank or its management

The Bank is a public joint stock company organised under the laws of Turkey. Many of the Bank's directors and executive officers are residents of Turkey and a substantial portion of the assets of the Bank and such persons are located in Turkey. As a result, it may be difficult for investors to effect service of process upon the Bank or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey.

Under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country, other than the Republic of Turkey, may not be enforced in Turkish courts in certain circumstances. Although Turkish courts have recognised enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey setting out the reciprocal enforcement of judgments expressly. For further information, see "*Enforcement of Judgments and Service of Process*".

The Conditions of the Notes are governed by English law and the terms are specified with reference to that law as in effect as of the date of this Base Prospectus. Similarly, the enforcement rights of the Noteholders against the Bank and its assets in Turkey assume the application of Turkish law as presently in effect. Any possible judicial decision or change to English or Turkish law or administrative practice after the date of this Base Prospectus may impact the Notes.

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 that is effective on the date the relevant court decides on bankruptcy of the Bank in accordance with Turkish law.

The Global Notes are held by or on behalf of DTC, Euroclear and Clearstream, Luxembourg

The Notes will be represented by one or more Global Notes, except in certain limited circumstances described in the Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (as defined previously in this Base Prospectus), or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Bank will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Notes must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive bearer Notes are subsequently required to be issued

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

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

Modification, waivers and substitution

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, such binding decisions made by majorities of Noteholders may be adverse to the interests of potential investors.

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

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

Further notes may be issued without the consent of the Noteholders

The Bank may from time to time create and issue further notes without the consent of the Noteholders or Couponholders, subject to terms and conditions which are the same as those of existing Notes, or the same except for the amount of the first new payment of interest. Such new notes may be consolidated and form a single series with the existing Notes, provided, however, that such further notes may not be fungible with the original Notes for U.S. federal income tax purposes, which may adversely affect the value of the original Notes.

Payments under the Notes may be subject to withholding tax pursuant to the U.S. Foreign Account Tax Compliance Act

With respect to Notes issued after the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register (such applicable date the "**Grandfathering Date**"), the Bank may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of interest which are treated as "foreign passthru payments" made on or after the date that is two years after the date the term "foreign passthru payment" is defined in a regulation published in the U.S. Federal Register to an investor or any other non U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA. As of the date of this Base Prospectus, final U.S. Treasury regulations defining the term "foreign passthru payments" have not been filed with the U.S. Federal Register. If the Bank issues further Notes after the Grandfathering Date in respect of an issue of Notes that was originally issued on or before the Grandfathering Date, payments on such further Notes may be subject to withholding under FATCA and, should the originally issued Notes and the further Notes be indistinguishable (as would likely be the case in such a "tap" issue), such payments on the originally issued Notes may also become subject to withholding under FATCA, unless such further Notes are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes. The FATCA withholding tax may be triggered if: (i) the issuer is a foreign financial institution (an "**FFI**," as defined in FATCA), (ii) the issuer, or any paying agent through which payments on the Notes are made, has agreed to provide the U.S. Internal Revenue Service (the "**IRS**") or other applicable authority with certain information on its account holders (making the issuer or such paying agent a "**Participating FFI**," as defined in FATCA) and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI or otherwise exempt from FATCA withholding on payments it receives.

The United States has concluded several intergovernmental agreements ("**IGAs**") with other jurisdictions in respect of FATCA. On 29 July 2015, the governments of Turkey and the United States signed an Agreement to Improve International Tax Compliance Through Enhanced Exchange of Information (the "**Turkish IGA**"). Under the Turkish IGA, an entity classified as an FFI that is treated as resident in Turkey is expected to provide the Turkish tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The issuer is an FFI and provided it complies with the requirements of the Turkish IGA and the Turkish legislation implementing the Turkish IGA, it should not be subject to FATCA withholding on any payments it receives and it should not be required to withhold tax on any "foreign passthru payments" that it makes. Although the issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Turkish IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with FATCA, none of the issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected.

Risks related to the Market Generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group'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 of a large number of Notes, as well as other factors, including the trading market for notes issued by or on behalf of the Republic of Turkey as a sovereign borrower. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's results of operations or financial condition.

Financial turmoil in emerging markets could cause the price of the Notes to suffer

Turkey is considered by international investors to be an emerging market. In general, investing in the securities of issuers that have operations primarily in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or similar jurisdictions. The market price of the Notes is influenced by economic and market conditions in Turkey and, to a varying degree, economic and market conditions in both emerging market countries and more developed economies. Financial turmoil in emerging markets in the past have adversely affected market prices in the world's securities markets for companies that operate in developing economies. Even if the Turkish economy remains relatively stable, financial turmoil in these countries could materially adversely affect the market price of the Notes.

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

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to a devaluation of the Specified Currency or a revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Bank to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in the Specified Currency into the Investor's Currency, which could materially adversely affect the market value of the Notes. There may also be tax consequences for investors.

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

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

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

One or more independent credit rating agencies may assign credit ratings to the Bank or the Notes. Any ratings of the Bank or the Group may not reflect the potential impact of all risks related to the Notes, the global financial market, the Turkish banking sector, other factors described in this "*Risk Factors*" section or any other risks. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. 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. The ratings do not address the marketability of the Notes or any market price.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market. 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 may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company under the Turkish Commercial Code. Substantially all of the assets of the Bank are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Bank outside Turkey or to enforce against it in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50 - 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

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

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

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

There is no treaty between Turkey and the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and England, and English law sets out certain criteria on satisfaction of which the courts of England and Wales may enforce foreign court judgments by way of summary proceedings, without substantive re-examination of the matters adjudicated upon; *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 England by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon non-Turkish securities laws.

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

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

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

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

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

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

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

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

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 that is effective on the date the relevant court decides on bankruptcy of the Bank in accordance with Turkish law.

Process may be served on the Bank at UniCredit Bank AG, London Branch located at Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom in relation to any proceedings in England in connection with any Notes issued under the Programme.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

i. the Terms and Conditions of the Notes contained on pages 73 to 103 of the Base Prospectus dated 4 September 2018, which is published on the website of Euronext Dublin at:

https://www.ise.ie/debt_documents/Base%20Prospectus_8a7c4f7b-0dfb-47d9-b7c7-0a70a2d76708.PDF;

ii. the Terms and Conditions of the Notes contained on pages 65 to 94 of the Base Prospectus dated 29 September 2017, which is published on the website of Euronext Dublin at:

http://www.ise.ie/debt_documents/Final%20Base%20Prospectus%202017%2029.09.17_8209bb86-7609-4ac7-a768-9b0bb46b50f8.PDF;

iii. the Terms and Conditions of the Notes contained on pages 61 to 90 of the Base Prospectus dated 30 September 2016, which is published on the website of Euronext Dublin at:

http://www.ise.ie/debt_documents/Base%20Prospectus_66f62162-98f6-4c5a-a80e-76ca11851cc5.pdf;

iv. the Terms and Conditions of the Notes contained on pages 57 to 86 of the Base Prospectus dated 27 November 2015, which is published on the website of Euronext Dublin at:

http://www.ise.ie/debt_documents/Base%20Prospectus_6d8fdaaf-97d5-4c9d-ad98-34fac8f7745e.PDF;

v. the Terms and Conditions of the Notes contained on pages 54 to 83 of the Base Prospectus dated 3 November 2014, which is published on the website of Euronext Dublin at:

http://www.ise.ie/debt_documents/Base%20Prospectus_726161ed-5061-45b9-8476-4805154be3b8.PDF?v=17102015;

vi. the Terms and Conditions of the Notes contained on pages 65 to 97 of the Base Prospectus dated 20 September 2013, which is published on the website of Euronext Dublin at:

http://www.ise.ie/debt_documents/Base%20Prospectus_71dc8965-41c6-4da1-8db2-07fdbf0fabbd.PDF?v=692015;

vii. the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2018 and the audit report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2018-consolidated-financials_51323/download;

viii. the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2017-consolidated-financials_42455/download;

ix. the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2016-signed-consolidated-financials_31263/download;

x. the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2019 (with 30 September 2018 comparatives for the statement of income) and the review report of PWC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2019-consolidated-financials_57516/download;

xi. the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2018 and the review report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2018-consolidated-financials_49042/download;

xii. the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2018 and the audit report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2018-unconsolidated-financials_51325/download;

xiii. the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2017-unconsolidated-financials_42454/download;

xiv. the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2016-signed-unconsolidated-financials_31261/download;

xv. the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2019 (with 30 September 2018 comparatives for the statement of income) and the review report of PWC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2019-unconsolidated-financials_57517/download; and

xvi. the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2018 and the review report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2018-unconsolidated-financials_49188/download,

which shall be deemed to be incorporated in, and to form part of this Base Prospectus. No other part of the Issuer's website forms a part of, or is incorporated into, this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the Prospectus Regulation, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable or of affecting the assessment of the Notes. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by

reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes in accordance with Article 23 of the Prospectus Regulation.

Due to mandatory regulatory requirements, the Bank rotated its auditors following completion of its annual audit as of and for the year ended 31 December 2016. Accordingly, the Bank appointed PwC as its independent auditor effective as of 1 January 2017 and for a term of three years.

The Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 (with 30 September 2018 comparatives) and as of and for the nine month period ended 30 September 2018 incorporated by reference into this Base Prospectus have been reviewed in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". See the English convenience translations of the relevant PwC's reports incorporated by reference herein. With respect to the Interim BRSA Financial Statements, PwC has reported that it applied limited procedures in accordance with professional standards for a review of such information; however, its report states that it did not audit and does not express an opinion on such interim financial information.

OVERVIEW OF THE GROUP AND THE PROGRAMME

Overview of the Bank

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 the Financial Statements. Prospective investors should see "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

Overview

Yapı ve Kredi Bankası A.Ş. is a full service bank with its headquarters in Istanbul, Turkey. It was established on 7 July 1944 and is incorporated with limited liability under the Turkish Commercial Code, the Banking Law and the Capital Markets Law for a period of 100 years.

According to BRSA statistics, as of 30 September 2019, the Bank was the third largest private bank in Turkey by total assets and ranked third among private banks in total cash loans (loans other than letters of guarantee, letters of credit and acceptances) with a 16.9% market share among private banks and an 8.8% market share in the overall banking sector (compared with a market share of 9.2% as of 31 December 2018, 9.5% as of 31 December 2017 and 10.2% as of 31 December 2016), and third among private banks in total deposits with a 9.2% market share (compared with a market share of 10.0% as of 31 December 2018, 10.0% as of 31 December 2017 and 10.6% as of 31 December 2016). As of 30 September 2019, the Bank had 854 branches covering all regions of Turkey (including one branch in Bahrain). It maintains market leading positions in key segments and products supported by its strong franchise, large network and leading brand. The Group is organised into three segments: (i) retail banking, (ii) corporate and commercial banking and (iii) private banking and wealth management. The Bank's service model is supported by its domestic and international subsidiaries. The Bank's shares are listed on the Borsa Istanbul.

In addition to its branch network, the Bank offers products and services through a wide array of alternative distribution channels ("**ADCs**") including 4,352 ATMs, 100% of which are "advanced" ATMs with cash deposit functionality (the fifth largest ATM network in Turkey with an 8.6% market share according to the Interbank Card Centre), award winning digital banking with 6.1 million customers as of 30 September 2019, a leading position in mobile banking with 5.5 million customers as of 30 September 2019, as well as three award-winning call centres, according to the Turkish Banking Association. See "*—Distribution—Alternative Channels*". As of 30 September 2019, the Group had 17,798 employees, of which 16,950 were employees of the Bank (representing 8.9% market share). This compares to 18,448, 18,839 and 19,419 employees as of 31 December 2018, 31 December 2017 and 31 December 2016, respectively, of which 17,577, 17,944 and 18,366 were employees of the Bank. Internationally, the Group carries out business through subsidiaries in the Netherlands, Azerbaijan, Malta and a branch in Bahrain.

The Group had total assets of TL 397 billion (U.S.$70.1 billion) as of 30 September 2019, compared with TL 373 billion as of 31 December 2018, TL 320.1 billion as of 31 December 2017 and TL 271.1 billion as of 31 December 2016.

According to the consolidated Interim BRSA Financial Statements for the nine month period ended 30 September 2019, the Group had operating income of TL 10,159 million (U.S.$1,795 million), compared to TL 13,352 million for the year ended 31 December 2018, TL 7,959 million for the year ended 31 December 2017 and TL 7,092 million for the year ended 31 December 2016. For the period ended 30 September 2019, the Group's cost to income ratio was 34% and operating cost growth was 13% year-over-year. For the year ended 31 December 2018, the Group's cost to income ratio was 33% compared to 42% in 2017. As of 30 September 2019, the Group's costs divided by average assets ratio realised at 1.4% versus 1.9% as of 31 December 2018. The Group's fees divided by operating costs ratio reached 75% in the period ended 30 September 2019.

The Group aims to be a customer-centric commercial bank driven by cutting edge technology and a committed workforce, delivering responsible growth. A main strategy of the Group is achieving best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns.

The Group's net profit realised at TL 3,337 million and its return on average tangible shareholders' equity (excluding intangible assets) was 11.8% for the nine months ended 30 September 2019, compared with TL 4,668 million and 14.2% for the year ended 31 December 2018, TL 3,614 million and 13.6% for the year ended 31 December 2017 and TL 2,933 million and 12.7% for the year ended 31 December 2016. The banking sector's return on average tangible shareholders' equity was 10.8%, 13.8%, 15.1% and 14.2% for the nine months ended 30 September 2019 and for the years ended 31 December 2018, 2017 and 31 December 2016, respectively. As of 30 September 2019, the Group's return on average assets ratio was at 1.2%, compared to 1.4% as of 2018 and 1.2% as of both 2017 and 2016 year-end.

Organisation

The Bank's operations are carried out through two main segments: (1) retail banking, which includes the Bank's card payment systems, individual banking, private banking and wealth management and SME banking segments and (2) corporate and commercial banking. The Bank's service model is supported by its domestic and international subsidiaries.

Principal Shareholder

The Bank's controlling shareholder is KFS, which as of 30 September, 2019 holds an 81.9% stake. The remaining 18.1% of the Bank's shares are publicly traded and held by minority shareholders. KFS is a joint venture between the Koç Group and UniCredit (the Koç Group and UniCredit each own 50% of the shares in KFS). The Koç Group is one of Turkey's largest conglomerates in terms of turnover and exports, with operations in the energy, automotive, consumer durables and finance sectors. UniCredit, with roots dating back to 1473, is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets.

On 30 November 2019, UniCredit and the Koç Group announced an agreement to change the Bank's ownership structure. According to the agreement, UniCredit's stake in the Bank is to reduce to 31.93% while the Koç Group's stake is to increase to 49.99%. The completion of the shareholding reduction is subject to regulatory approvals in all relevant jurisdictions and is expected to take place in the first half of 2020. See "*Recent Developments*".

Key Competitive Advantages

The Group's management believes that the Group has a number of key competitive advantages that enable it to compete effectively in the Turkish banking sector, including:

- Leading market positions in key segments and products;
- Robust and customer-oriented balance sheet;
- Large network and leading brand;
- Strong commitment to risk management;
- Diversified, high quality revenue mix; and
- Strong and committed shareholders.

Strategy

As a fully integrated banking and financial services group, the Bank is working towards its goal of becoming a leader in the finance sector. The Bank's mission is to ensure long term sustainable growth and value creation for all stakeholders and to become the first choice for customers and employees.

Principles

The Bank's strategy is structured around three main principles:

- healthy and consistent growth;
- strong and sustainable profitability; and

- superior and long-lasting customer satisfaction.

THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980.

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

Issuer:	Yapı ve Kredi Bankası A.Ş.
Issuer Legal Entity Identified (LEI):	B85ZYWEZ5IZCZ2WNIO12
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors, which are material for assessing the risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*"
Description:	Global Medium Term Note Programme
Arrangers:	Deutsche Bank AG, London Branch UniCredit Bank AG
Dealers:	BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International MUFG Securities EMEA plc Société Générale Standard Chartered Bank UniCredit Bank AG or such other Dealers as may be appointed in accordance with the Programme Agreement. Pursuant to the terms of the Programme Agreement, the Issuer may terminate the appointment of any Dealer or appoint further dealers for a particular Series of Notes.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*").
Fiscal Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to U.S.$11,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme

Agreement.

Distribution:	Notes may be distributed by way of private or (other than in the United States) public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated and payments in respect of the Notes may be made in euro, Renminbi, Sterling, U.S. dollars, Turkish Lira or any other currency as set out in the conditions and specified in the applicable Final Terms. If specified in the applicable Final Terms, payment in respect of Notes denominated in Turkish Lira and may be made in U.S. dollars under Condition 7.10 if an irrevocable election to receive such payment in U.S. dollars is made. See "*Terms and Conditions of the Notes – Condition 7.10*". Payment in respect of Notes denominated in Renminbi may be made in U.S. dollars if RMB Currency Events are specified in the applicable Final Terms and a RMB Currency Event occurs. See "*Terms and Conditions of the Notes – Condition 7.9*".
Maturities:	The maturity of the Notes shall be specified in the applicable Final Terms in accordance with such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as specified in the applicable Final Terms and, on redemption, will be calculated on the basis of such Day Count Fraction as specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions or the 2006 ISDA Definitions (each as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series), as specified in the applicable Final Terms; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service. Interest on Floating Rate Notes in respect of each Interest Period will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as specified in

the applicable Final Terms.

The margin (if any) relating to such floating rate will be specified in the applicable Final Terms for each Series of Floating Rate Notes.

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

Zero Coupon Notes:

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

Benchmark Discontinuation

On the occurrence of a Benchmark Event for a Series of Floating Rate Notes, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate together, in either case, with the applicable Adjustment Spread and any Benchmark Amendments in accordance with Condition 6.4.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at the price or prices specified in the applicable Final Terms.

Denomination of Notes:

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

Taxation:

All payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation – Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes – Condition 9*".

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as

	provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Certain Covenants:	The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates.
Events of Default:	The Notes will be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "*Terms and Conditions of the Notes – Condition 11*".
Status of the Notes:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Rating:	The Programme has been rated B+ by Fitch and B2 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to Euronext Dublin for certain Notes 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. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Belgium), Turkey, Hong Kong, the PRC, Japan and Singapore, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale and Transfer and*

Selling Restrictions".

United States Selling Restrictions:	Regulation S (Category 2) and Rule 144A (if applicable). Bearer Notes will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) ("**TEFRA D**") or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) ("**TEFRA C**") such that the Bearer Notes will not constitute "registration required obligations" under section 4701(b) of the U.S. Internal Revenue Code of 1986, as specified in the applicable Final Terms. Such rules impose certain additional restrictions on transfers of Bearer Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued in "offshore transactions" to non-U.S. Persons in reliance on the exemption from registration provided by Regulation S and may be issued within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. Persons or persons who have purchased for resale to any U.S. Person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, *provided that* purchasers in the United States and certain U.S. Persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification in the manner described above.

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

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and on all interest coupons relating to such Notes (where TEFRA D is specified in the applicable Final Terms):

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections of the U.S. Internal Revenue Code of 1986 referred to above provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

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

Registered Notes

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

If so specified in the applicable Final Terms, the Registered Notes of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, each a "**Registered Global Note**"). No sale of Legended Notes (as defined under "*U.S. Information*" above) in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount.

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") or (ii) be deposited with a common depositary and registered in the name of a nominee of that common depositary, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. The Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes on the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes but is to be consolidated with such existing Tranche on a date after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the further Tranche is so consolidated, which shall not be prior to the expiry of any applicable distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following the applicable due date. At the same time holders of interests in such Global Note credited to their accounts with DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by DTC, Euroclear, Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 29 September 2017 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

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

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Information in this section has been derived from the Clearing Systems.

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 member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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**"). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Base Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co.

or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, 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 is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Book-Entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issue, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

APPLICABLE FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes 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 (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (**as modified or amended from time to time, the **SFA)** - [*To insert notice if classification of the Notes is not "prescribed capital markets products" pursuant to Section 309B of the SFA or Excluded Investment Products (as defined in Monetary Authoriy of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)*]".][2]

[*Date*]

YAPI VE KREDİ BANKASI A.Ş.

Legal entity identifier (LEI): B85ZYWEZ5IZCZ2WNIO12

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)
under the U.S.$11,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 December 2019 [and the supplement[s] to it dated [*date*] [and [*date*]] [which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described

[1] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and a key information document will not be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable"

[2] Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information].[3] [The Base Prospectus and Final Terms have been published on the website of Euronext Dublin (www.ise.ie).]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [4 September 2018]/[29 September 2017]/[30 September 2016]/[27 November 2015]/[3 November 2014]/[20 September 2013] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 23 December 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 23 December 2019 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus has been published on [the website of Euronext Dublin (www.ise.ie)].]

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

1.	Issuer:		Yapı ve Kredi Bankası A.Ş.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/ the date that is 40 days after the Issue Date/the next Coupon date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	USD Payment Election:		[Applicable/Not Applicable] *(Only applicable for Turkish Lira-denominated Notes)*
5.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
6.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]

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

7.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* *(Note – where Bearer multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
8.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
9.	Maturity Date:		[S*pecify date or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]]
10.	Interest Basis:		[[ ] per cent. Fixed Rate] [ ] month [LIBOR/EURIBOR/TRYIBOR]] +/- [ ] per cent. Floating Rate] [Zero coupon] (*see paragraph [15]/[16]/[17] below*)
11.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
12.	Change of Interest Basis:		[For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ], paragraph [*15*/*16*] below applies, and, for the period from (and including) [ ] up to (and including) the Maturity Date, paragraph [*15*/*16*] below applies]/[Not Applicable][ ]

13.	Put/Call Options:		[Investor Put] [Issuer Call] [Not Applicable] [(*see paragraph [19]/[20]/[21] below*)]
14.	(a)	Status of the Notes:	Unsubordinated, unsecured
	(b)	Date Board approval for issuance of Notes obtained:	[ ] [Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [ ] (the "**Stub Period**")] [There will be a [short/long] final interest period from, and including, [ ] to, but excluding, the Maturity Date (the "**Stub Period**")]
	(c)	Fixed Coupon Amount(s):	[[ ] per Calculation Amount] [Not Applicable]
	(*Applicable to Notes in definitive form*)		
	(d)	Broken Amount(s):	[In respect of the Stub Period, [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(*Applicable to Notes in definitive form*)		
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
16.	Floating Rate Note Provisions		[Applicable/Not Applicable]

		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
		[There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [ ] (the "**Stub Period**")]
		[There will be a [short/long] final interest period from, and including, [ ] to, but excluding, the Maturity Date (the "**Stub Period**")]
(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 (if not the Agent):	[ ] (the "**Calculation Agent**")
(f)	Screen Rate Determination:	
●	Reference Rate, Relevant Time and Relevant Financial Centre:	Reference Rate: [ ] month [[*currency*][LIBOR/EURIBOR/TRYIBOR].
		Relevant Time: [ ]
		(11.00 a.m. in the case of LIBOR and EURIBOR, and 11.30 a.m. in the case of TRYIBOR)
		Relevant Financial Centre: [London] [Brussels] [Istanbul]
●	Interest Determination Date(s):	[ ]
		(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and the second Istanbul business day prior to the start of each Interest Period if TRYIBOR)
●	Relevant Screen Page:	[ ]
		(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall-back provisions*

appropriately)

- Interpolation for Stub Period: [Applicable for the Stub Period]/[Not Applicable]

  - Reference Rate 1: [[ ] month [ ] LIBOR/EURIBOR/TRYIBOR]/[Not Applicable]
  - Relevant Screen Page 1: [ ]/[Not Applicable]
  - Reference Rate 2: [[ ] month [ ] LIBOR/EURIBOR/TRYIBOR]/[Not Applicable]
  - Relevant Screen Page 2: [ ]/[Not Applicable]

(g) ISDA Determination:

- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- 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 on market circumstances, may not be available at the relevant time*)

- Interpolation for Stub Period: [Applicable for the Stub Period]/[Not Applicable]

  - Floating Rate Option 1: [ ]
  - Designated Maturity 1: [ ]
  - Reset Date 1: [ ]
  - Floating Rate Option 2: [ ]
  - Designated Maturity 2: [ ]
  - Reset Date 2: [ ]

- ISDA Definitions: [2000 ISDA Definitions/2006 ISDA Definitions]

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

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition [8.2]:		Minimum period: [ ] days Maximum period: [ ] days
19.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]

(ii)	Maximum Redemption Amount:	[ ]
(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent*)

20.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount:	[ ] per Calculation Amount
(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent*)
21.	Final Redemption Amount:	[ ] per Calculation Amount
22.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount (*N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]

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

[Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]

[Bearer Notes shall not be physically delivered (i) in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of December 14, 2005, or (ii) in the United States of America.]

(*N.B. The option for an issue of Notes to be represented on issue by a temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."*

[Registered Notes:

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

[Rule 144A Global Note(s) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]

[Definitive Regulation S Registered Note]

(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Notes, specify the nominal amounts of each Global Note,

24.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which paragraph 17(b) relates*)
25.	Talons for future Coupons to be attached to	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on

	Definitive Notes:	exchange into definitive form, more than 27 coupon payments are still to be made/No]
26.	RMB Currency Events:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
	(a) Party responsible for calculating the Spot Rate	[[ ] (the "**Calculation Agent**")]
	(b) RMB Settlement Centre(s)	[[ ]/Not Applicable]

THIRD PARTY INFORMATION

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

Signed on behalf of **YAPI VE KREDİ 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/will be made by the Issuer (or on its behalf) to Euronext Dublin for the Notes to admitted to the Official List and trading on its regulated market with effect from [ ].] [*Specify other regulated market*] [Not Applicable.] (*Where documenting an issue of Notes that is to be consolidated and to form a single series with a previous issue, need to indicate that original Notes are already listed and admitted to trading*)
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

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

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

[*Insert legal name of credit rating agency*] is established in the EU and is not registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").]

[*Insert legal name of credit rating agency*] is not established in the EU but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").]

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

[*Insert legal name of credit rating agency*] is not established in the EU and is not certified under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

[*Need to include a brief explanation of the ratings if this* *has previously been published by the rating provider*.]

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

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

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

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation*.)]

4. YIELD (*Fixed Rate Notes only*)

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

5. OPERATIONAL INFORMATION

(a)	ISIN:	[ ]
(b)	Common Code:	[ ]
(c)	[CUSIP]:	[ ]
(d)	CFI:	[[See/[[*include code*][4], 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]
(e)	FISN:	[[See/[[*include code*][5], 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)	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)*]

[4] *The actual code should only be included where the issuer is comfortable that it is correct.*
[5] *The actual code should only be included where the issuer is comfortable that it is correct.*

(g)	Delivery:	Delivery [against/free of] payment
(h)	Names and addresses of additional Paying Agent(s) (if any):	[ ] [Not Applicable]

6. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[ ]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. Selling Restrictions:	[Regulation S, Category 2]; [Rule 144A] [Rules identical to those provided in TEFRA C/TEFRA D/TEFRA not applicable]
(g)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the offer of the Notes may constitute "packaged" products and no key information document will be prepared, "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)*]

7. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(a)	Reasons for the offer:	[ ] [The net proceeds from the issue of the Notes will be applied by the Issuer for its general corporate purposes]. (*See "Use of Proceeds" in the Base Prospectus. If the reason for the offer is different from general corporate purposes, then such specific reason will need to be included here.*)
(b)	Estimated net proceeds:	[ ]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" and "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Yapı ve Kredi Bankası A.Ş. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement dated 29 September 2017, as supplemented pursuant to the supplemental agency agreement dated 4 September 2018 and the third supplemental agency agreement dated 23 December 2019, (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent (the "**Fiscal Agent**" and the "**Exchange Agent**", which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents),The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar, as defined below, the "**Transfer Agents**", which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression shall include any successor registrar).

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive bearer form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed in the applicable Final Terms to be consolidated and form a single series and

(b) have the same terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the Issue Date and the Issue Price.

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time), (the "**Deed of Covenant**") dated 29 September 2017 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the "**Deed Poll**") dated 29 September 2017 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents the Calculation Agent (if any is specified in the applicable Final Terms) and the Registrar being together referred to as the "**Agents**"). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**"), the applicable Final Terms are available for viewing at the specified office of the Fiscal Agent and will be published on Euronext Dublin's website (http://www.ise.ie). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation (Regulation (EU) 2017/1129), the applicable Final Terms will only be obtainable by a Noteholder and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and *provided that*, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

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

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and related legislation.

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

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

1.2 Title

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

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of a Registered Global Note, registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

For so long as the Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or Agent may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3. STATUS OF THE NOTES

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

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such Security Interest is terminated; or

(c) such other Security Interest is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by not less than three-quarters of the votes cast) of the Noteholders.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to (i) a bond, note or similar instrument whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, a "**Covered Bond**"), or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (including, but not limited to, transactions under the Issuer's DPR securitisation programmes) (created in accordance with normal market practice) whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse

Securities, by direct unsecured recourse to the Issuer); *provided that* the aggregate value of assets or revenues subject to any Security Interest created in respect of (A) Covered Bonds and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities, does not, at any time, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

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

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

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market and having an original maturity at issue in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction and (ii) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer shall take all necessary actions to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, for the avoidance of doubt, with the Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu)* (the "**CMB**") and the Banking Regulatory and Supervisory Authority (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu)* (the "**BRSA**")) for (i) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant, Deed Poll and the Notes or for the validity or enforceability thereof, or (ii) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings (collectively, "**Permissions**") which are immaterial in the conduct by the Issuer of the Permitted Business. For the avoidance of doubt, any Permissions relating to the Issuer's ability or capacity to undertake its banking or financial advisory functions shall not be deemed to be immaterial in the conduct by the Issuer of its Permitted Business.

5.2 Transactions with Affiliates

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

5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent:

(a) not later than 120 days after the end of each financial year, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied and BRSA accounting standards ("**BRSAAS**"), including comparative financial information for the preceding financial year, and such financial statements of the Issuer shall be accompanied by the reports of the auditors thereon; and

(b) not later than 90 days after the end of the first six months of each of the Issuer's financial years, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied and BRASAAS, including comparative financial information for the corresponding period of the previous financial year.

For the purposes of this Condition 5:

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

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

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

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

6. INTEREST

6.1 Interest on Fixed Rate Notes

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

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

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

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

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

(a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes; or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction. The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rate Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded 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 Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

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

    (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

    (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

        (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

        (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 6.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (c) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

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

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

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(b) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, 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, (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**") is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i):

(a) **ISDA Rate** for an Interest Period (other than a Stub Period) means a rate equal to the Floating Rate that would be determined by the Fiscal Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Fiscal Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions or the 2006 ISDA Definitions, as specified in the applicable Final Terms, each as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

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

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

(C) the relevant Reset Date is either (1) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro-zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (2) in any other case, as specified in the applicable Final Terms, and

(b) **ISDA Rate** for a Stub Period means a rate calculated by the Fiscal Agent by means of linear interpolation of the relevant ISDA Rate 1 and the relevant ISDA Rate 2 in accordance with market convention.

ISDA Rate 1 and **ISDA Rate 2** shall be determined for a Stub Period pursuant to this

sub-paragraph (i) on the same basis as the determination of the ISDA Rate for an Interest Period that is not a Stub Period save that references in this sub-paragraph (i) to the Floating Rate Option, the Designated Maturity and the Reset Date shall be (i) in the case of the ISDA Rate 1, to the Floating Rate Option 1, the Designated Maturity 1 and the Reset Date 1, respectively, and (ii) in the case of the ISDA Rate 2, the Floating Rate Option 2, the Designated Maturity 2 and the Reset Date 2, respectively, in each case as specified in the applicable Final Terms.

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

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

(ii) **Screen Rate Determination for Floating Rate Notes**

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

(A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page of that service which displays the information) as at the Specified Time 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 or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page (or such replacement page of that service which displays the information), the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. If the Relevant Screen Page is not available or if, in the case of Condition 6.2(b)(ii)(A), no offered quotation appears or, in the case of Condition 6.2(b)(ii)(B), fewer than three offered quotations appear, in each case as at the Specified Time (as defined in the Agency Agreement), the Fiscal Agent or the Calculation Agent, as applicable, shall request each of the Reference Banks (as defined in the Agency Agreement) to provide the Fiscal Agent or the Calculation Agent, as applicable, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent or the Calculation Agent, as applicable, with offered quotations, 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 or the Calculation Agent, as applicable.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent or the Calculation Agent, as applicable, with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent or the Calculation Agent, as applicable, 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 or the Calculation Agent, as applicable, 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 inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Turkish Lira interbank rate (if the Reference Rate is TRYIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent or the Calculation Agent, as applicable, with 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 banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent or the Calculation Agent, as applicable, it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Turkish Lira interbank rate (if the Reference Rate is TRYIBOR) 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, 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).

The Rate of Interest for a Stub Period means a rate calculated by the Fiscal Agent or the Calculation Agent, as applicable, by means of linear interpolation of the relevant Screen Rate 1 and the relevant Screen Rate 2 in accordance with market convention.

Screen Rate 1 and **Screen Rate** shall be determined for a Stub Period pursuant to this Condition 6.2(a)(ii) on the same basis as the determination of the Screen Rate for an Interest Period that is not a Stub Period save that references in this Condition 6.2(a)(ii) to the Reference Rate and the Relevant Screen Page shall be (i) in the case of the Screen Rate 1, to the Reference Rate 1 and the Relevant Screen Page 1, respectively, and (ii) in the case of the Screen Rate 2, to the Reference Rate 2, and the Relevant Screen Page 2, respectively, in each case as specified in the applicable Final Terms.

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

The Fiscal Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

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

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

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

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

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

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

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

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

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

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

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

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

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

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on 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 however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then such rate shall be determined by reference to the relevant rate that would apply in accordance with the applicable Screen Rate Determination or Floating Rate Option provisions as the case may be, where the relevant reference rate is otherwise unavailable.

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

(f) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(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 6.2, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Accrual of interest

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

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

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

6.4 Benchmark discontinuation

(a) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part(s) thereof) remains to be determined by reference to such Original Reference

Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6.4(b)) and, in each case, an Adjustment Spread (in accordance with Condition 6.4(c)) and any other required Benchmark Amendments (in accordance with Condition 6.4(d)).

An Independent Adviser appointed pursuant to this Condition 6.4 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 Paying Agents, the Calculation Agent, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 6.4.

(b) Successor Rate or Alternative Rate

Notwithstanding the provisions of Condition 6.4(b), if the Issuer, following consultation with an Independent Adviser pursuant to Condition 6.4(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 (as adjusted by the applicable Adjustment Spread as provided in Condition 6.4(c)) shall subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.4); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 6.4(c)) shall subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.4).

(c) Adjustment Spread

If a Successor Rate or Alternative Rate is determined in accordance with Condition 6.4(b), the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner shall determine an Adjustment Spread which may be expressed as a specified quantum, or a formula or methodology for determining the applicable Adjustment Spread and which Adjustment Spread may be positive, negative or zero and shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of the Rate(s) of Interest (or the relevant component(s) thereof) by reference to such Successor Rate or Alternative Rate, as applicable.

(d) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread is determined in accordance with the foregoing provisions of this Condition 6.4 and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or, in each case, Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6.4(e), without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 6.4(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Notes are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, each as determined under this Condition 6.4, will be notified promptly by the Issuer to the Calculation Agent and the Paying Agents and, in accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Prior to any Benchmark Amendments taking effect and no later than notifying the Calculation Agent of the same, the Issuer shall deliver to the Calculation Agent a certificate signed by two Directors 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) the applicable Adjustment Spread, and (D) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6.4; and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread.

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

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

(f) Survival of Original Reference Rate and Fallback Provisions

Without prejudice to the obligations of the Issuer under the provisions of this Condition 6.4, the Original Reference Rate and the fallback provisions provided for in Condition 6.2(b) will continue to apply unless and until a Benchmark Event has occurred and the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the applicable Adjustment Spread and any Benchmark Amendments, in each case, in accordance with Condition 6.4(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) and, in each case, the applicable Adjustment Spread is determined and notified to the Calculation Agent pursuant to this Condition 6.4, then the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 6.2(b) will (if applicable) continue to apply to such determination.

The preceding paragraph shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.4.

(g) Defined Terms

As used in this Condition 6.4:

Adjustment Spread means either a spread (which may be positive, negative or zero), or a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and which is the spread, formula or methodology that:

(i) 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;

(ii) in the case of a Successor Rate where no such formal recommendation as described in clause (i) above 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

(iii) if the Issuer determines that neither (i) nor (ii) above 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 having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Alternative Rate means an alternative to the Original Reference Rate that the Issuer determines in accordance with Condition 6.4(b) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

Benchmark Amendments has the meaning given to it in Condition 6.4(d);

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

(a) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;

(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 (b)(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 (d)(i);

(e) the later of: (i) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used (either generally or in respect of the Notes) or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (e)(i);

(f) it has, or will prior to the next Interest Determination Date, become unlawful for the Calculation Agent, any other Paying Agent or the Issuer to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate; or

(g) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used, in each case in circumstances where the same shall be applicable to the Notes;

Calculation Agent means the Fiscal Agent or, for any Series, such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s);

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 6.4(a);

Original Reference Rate means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part(s) thereof) in respect of any Interest Period(s) on the Notes, as specified in the applicable Final Terms (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate);

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

(i) 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

(ii) 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.

7. PAYMENTS

7.1 Method of payment

Subject as provided below payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

7.2 Presentation of definitive Bearer Notes and Coupons

Notwithstanding any other provision of the Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the

United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided that* such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified in Condition 7.2 in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between payments of principal and payments of interest, will be made on such Global Note by the Paying Agent to which it was presented.

7.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") at (i) where in global form, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, are open for business) before the relevant due date, and (ii) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located), the first such day prior to such 15th day before the relevant due date (the "**Record Date**"). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank which processes payments in such Specified Currency.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on the Record Date and at that holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

Neither the Issuer nor the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

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

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

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is:

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

 (i) Istanbul;

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

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

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and

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

7.7 Interpretation of principal and interest

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

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

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

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

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

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

7.8 RMB account

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

7.9 RMB Currency Event

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Upon receipt of the Lira Amount from the Issuer and by no later than 11.00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall purchase U.S. dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees, commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the "**Applicable Exchange Rate**"). In no event shall any Agent be liable to any Noteholder, the Issuer or any third party for the conversion rate so used.

The Issuer's obligation to make payments on Notes the Specified Currency of which is Turkish Lira is limited to the specified Turkish Lira amount of such payments and, in the event that it fails to make any payment on the Notes in full on its due date, its obligation shall remain the payment of the relevant outstanding Turkish Lira amount and it shall have no obligation to pay any greater or other amount as a result of any change in the Applicable Exchange Rate between the due date and the date on which such payment is made in full.

(c) Following conversion of the Lira Amount into U.S. dollars in accordance with this Condition 7.10 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount of U.S. dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal

Agent shall give notice to the Noteholders of such U.S. dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer on the Relevant Payment Date by no later than 11.00 a.m. (London time) in the case of a payment of interest or principal becoming due in order to make any payments to Noteholders on such Relevant Payment Date, including any such payments in U.S. dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted US Dollar amounts) as soon as reasonably practicable thereafter.

(d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with Condition 15 and all payments on the Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 7, irrespective of any USD Payment Election made.

(e) To give a USD Payment Election:

(i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 7.10 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable US Dollar payment is made; and

(ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

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

7.11 Payments on Notes held through DTC in a Specified Currency other than US Dollars

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

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

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

8.2 Redemption for tax reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9 or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes (which shall, for the avoidance of doubt and for the purposes of this Condition 8.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:

(i) pay additional amounts as provided or referred to in Condition 9; and

(ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it as determined in good faith by the Board of Directors of the Issuer,

then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

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

This Condition 8.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons pursuant to Condition 8.2), such option being referred to as an "**Issuer Call**". The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum

Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

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

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.4 in any Specified Denomination.

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

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg and/or DTC as applicable, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC as the case may be (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or, as applicable, DTC from time to time.

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

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11:

(a) Each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

8.6 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (*provided that*, in the case of definitive Bearer Notes, all unmatured, Coupons and Talons appertaining thereto are purchased therewith) in any manner, at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 8.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

8.8 Late payment on Zero Coupon Notes

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

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

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

9. TAXATION

9.1 Payment without Withholding

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

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

(b) where such withholding or deduction would not have been imposed but for the failure of the applicable holder or beneficial owner of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent (a) such compliance is required by applicable law, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (b) such obligor shall have notified such recipient in writing that such recipient will be required to comply with such requirement; or

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

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

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

As used herein:

(i) **Relevant Date** means with respect to any payment, the date on which such payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent, on or prior to the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

(ii) **Relevant Jurisdiction** means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9 therefor).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT

11.1 Events of Default

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

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) 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 applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period *provided that* the aggregate principal amount of any such (A) Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of (i), (ii) and/or (iii) above, and/or (B) Indebtedness for Borrowed Money in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of (iv) above, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies; or

(d) if

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

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

(iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or

(iv) the Issuer or any of its Material Subsidiaries (I) takes any corporate action or other steps are taken or legal proceedings are started (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction whilst solvent upon terms previously approved by an Extraordinary Resolution of Noteholders), or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (II) it 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 (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or another Subsidiary of the Issuer; or

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

11.2 Definitions

For the purposes of these Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or

(b) any borrowed money; or

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

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

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer, *provided that*:

(i) if the then latest audited consolidated accounts of the Issuer show negative assets at the end of the relevant financial period, the financial statements shall be read as if words "net assets" were substituted by the words "total assets", for the purposes of this definition; and

(ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of its next audited IFRS financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represented (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, represent) not less than 15 per cent., of the consolidated total assets of the Issuer taken as a whole (calculated as set out in sub-paragraph (a) above), *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent not less than 15 per cent., of the consolidated total assets of the Issuer (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 its next audited IFRS financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Notes Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, *provided that*:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be (in the case of Bearer Notes) a Paying Agent (which may be the Fiscal Agent) and (in the case of Registered Notes) a Transfer Agent (which may be the Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and

(d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

For so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice to Euroclear and/or Clearstream, Luxembourg and/or DTC shall be deemed to have been given to the holders of the Notes on the second business day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

16.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders.

Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise any such modification shall be notified by the Issuer to the Noteholders and Couponholder in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or the Couponholders, to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the Issue Date and the Issue Price, so that the same shall be consolidated and form a single Series with the outstanding Notes *provided that* such further notes may not be fungible with the original notes for U.S. federal income tax purposes, which may adversely affect the value of the original Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of

Covenant, the Deed Poll the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the 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) is to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales)on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales)according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the 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 Procedural Law of Turkey (Law No. 5718).

19.4 Appointment of Process Agent

Service of process may be made upon the Issuer at the offices of UniCredit Bank AG, London Branch located at Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom, in respect of any Proceedings in England and undertakes that in the event of such process agent ceasing so to act it will appoint another person as its agent for that purpose.

19.5 Other documents

The Issuer has in the Agency Agreement, the Deed of Covenant and the Deed Poll submitted to the jurisdiction of the 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 appointed an agent for service of process, in terms substantially similar to those set out above.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of each Tranche of the Notes, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes: *however*, for any particular Series, the Bank may agree (and so specify in the Final Terms for the Tranche(s) of such Series) with the relevant Dealer(s) or investor(s) that the proceeds of the issuance of the applicable Notes shall be used for one or more specific purpose(s), such as environmental development or sustainability. The use of proceeds, if any, provided in the Final Terms for each Tranche in a Series with more than one Tranche shall be the same.

SELECTED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected consolidated financial information of the Bank and its subsidiaries derived from the Annual BRSA Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016 and Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 (with 30 September 2018 comparatives) incorporated by reference in this Base Prospectus.

Prospective investors should read the following information in conjunction with "*Presentation of Financial and other Information*", the Annual BRSA Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016 and the Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 (with 30 September 2018 comparatives).

Balance Sheet Data

Assets	As of 30 September 2019 (U.S.$, thousands)[(1)]	As of 30 September 2019 (TL, thousands)	As of 31 December 2018 (U.S.$, thousands)[(2)]	As of 31 December 2018 (TL, thousands)
FINANCIAL ASSETS (Net)	**19,274,564**	**109,076,683**	**18,685,311**	**98,301,554**
Cash and cash equilvalents	**13,558,526**	**76,729,057**	**11,804,394**	**62,101,734**
Cash and balances at Central Bank	8,285,667	46,889,416	10,802,583	56,831,308
Banks	4,873,528	27,579,781	1,001,661	5,269,640
Receivables from Money Markets	427,419	2,418,805	22,283	117,231
Provisions for Expected Losses (-)	28,087	158,945	22,134	116,445
Financial assets at fair value through profit or loss	**115,493**	**653,587**	**47,170**	**248,156**
Government debt securities	37,582	212,680	12,991	68,342
Equity instruments	76,646	433,746	33,675	177,162
Other financial assets	1,265	7,161	504	2,652
Financial assets at fair value through other comprehensive income	**4,682,864**	**26,500,797**	**5,110,091**	**26,883,680**
Government debt securities	4,311,328	24,398,235	4,744,099	24,958,228
Equity instruments	14,162	80,144	12,696	66,794
Other financial assets	357,374	2,022,418	353,297	1,858,658
Derivative financial assets	**917,680**	**5,193,242**	**1,723,656**	**9,067,984**
Derivative financial assets at fair value through profit or loss	811,566	4,592,735	1,121,272	5,898,898
Derivative financial assets at fair value through other comprehensive income	106,114	600,507	602,385	3,169,086
FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)	**46,512,345**	**263,218,013**	**48,989,845**	**257,730,674**
Loans	42,145,432	238,505,213	44,314,660	233,134,994
Receivables From Leasing Transactions (Net)	1,917,801	10,853,028	2,428,380	12,775,463
Factoring Receivables	543,897	3,077,966	682,215	3,589,067
Financial assets measured at amortised cost	**4,811,974**	**27,231,440**	**4,334,939**	**22,805,679**
Government debt securities	4,625,344	26,175,283	4,190,281	22,044,650
Other financial assets	186,630	1,056,157	144,658	761,029
Provisions for Expected Losses (-)	2,906,758	16,449,634	2,770,349	3,589,067
ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	**61,095**	**345,741**	**56,734**	**298,470**
Held for sale Purposes	**61,095**	**345,741**	56,734	298,470
Related to Discontinued Operations	—	—	—	—
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	**204,933**	**1,159,736**	**205,560**	**1,081,433**
Investments in associates (Net)	**199,918**	**1,131,356**	**200,150**	**1,052,968**
Consolidated based on Equity Method	198,840	1,125,255	198,990	1,046,867
Unconsolidated	1,078	6,101	1,160	6,101
Subsidiaries (Net)	**1,290**	**7,300**	**1,388**	**7,300**
Unconsolidated Financial Subsidiaries	—	—	—	—
Unconsolidated Non-Financial Subsidiaries	1,290	7,300	1,388	7,300
Joint Ventures (Net)	**3,725**	**21,080**	**4,023**	**21,165**
Consolidated based on Equity Method	3,725	21,080	4,023	21,165
Unconsolidated	—	—	—	—
PROPERTY AND EQUIPMENT (Net)	**766,702**	**4,338,843**	**629,583**	**3,312,175**
INTANGIBLE ASSETS (Net)	**332,047**	**1,879,086**	**345,399**	**1,817,112**
Goodwill	173,083	979,493	**186,184**	979,493
Other	158,964	899,593	**159,216**	837,619
INVESTMENT PROPERTY (Net)	—	—	—	—
CURRENT TAX ASSETS	**1,814**	**10,265**	**1,807**	**9,504**
DEFERRED TAX ASSETS	**356,241**	**2,016,002**	**135,507**	**712,891**
OTHER ASSETS	**2,618,034**	**14,815,715**	**1,922,188**	**10,112,441**
TOTAL ASSETS	**70,127,774**	**396,860,084**	**70,971,935**	**373,376,254**

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 5.6591 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 30 September 2019. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The average and period end exchange rates for the nine months ended 30 September 2019, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "*Exchange Rates*".

(2) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 5.2609 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 31 December 2018. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The average and period end exchange rates for the year ended 31 December 2018, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "*Exchange Rates*".

Liabilities	As of 30 September 2019 (U.S.$, thousands)[(1)]	As of 30 September 2019 (TL, thousands)	As of 31 December 2018 (U.S.$, thousands)[(2)]	As of 31 December 2018 (TL, thousands)
DEPOSITS	**38,608,285**	**218,488,148**	**39,972,528**	**210,291,473**
BORROWINGS	**7,844,443**	**44,392,488**	**8,947,519**	**47,072,002**
MONEY MARKETS	**753,088**	**4,261,798**	**669,128**	**3,520,213**
MARKETABLE SECURITIES ISSUED (Net)	**4,669,963**	**26,427,785**	**4,075,767**	**21,442,203**
Bills	667,128	3,775,342	261,077	1,373,498
Asset backed Securities	652,027	3,689,885	729,098	3,835,712
Bonds	3,350,808	18,962,558	3,085,592	16,232,993
FUNDS	-	-	—	—
Borrower Funds	-	-	—	—
Other	-	-	—	—
FINANCIAL LIABILITIES FAIR VALUE THROUGH PROFIT	**2,076,165**	**11,749,226**	**1,514,076**	**7,965,404**

AND LOSS				
DERIVATIVE FINANCIAL LIABILITIES	**1,450,409**	**8,208,011**	**1,385,267**	**7,287,749**
Derivative Liabilities at Fair Value Through Profit and Loss	945,275	5,349,406	**1,269,050**	6,676,343
Derivative Liabilities at Fair Value Through Other Comprehensive Profit	505,134	2,858,605	**116,217**	611,406
FACTORING PAYABLES	—	—	—	—
LEASE PAYABLES (Net)	162,306	918,508	—	—
PROVISIONS	**643,652**	**3,642,493**	**657,527**	**3,459,185**
Provisions for Restructuring	—	—	—	—
Provisions for Employee Rights	126,025	713,186	129,687	682,268
Insurance Technical Provisions (Net)	-	-	—	—
Other Provisions	517,628	2,929,307	527,841	2,776,917
CURRENT TAX LIABILITIES	**205,191**	**1,161,197**	**213,354**	**1,122,432**
DEFERRED TAX LIABILITIES	**4,750**	**26,881**	**2,027**	**10,666**
LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	—	—	—	—
Held for Sale	—	—	—	—
Related to Discontinued Operations	—	—	—	—
SUBORDINATED DEBT	**3,094,763**	**17,513,575**	**2,576,965**	**13,557,153**
Loans	858,994	4,861,134	1,059,652	5,574,724
Other Facilities	2,235,769	12,652,441	1,517,312	7,982,429
OTHER LIABILITIES	**3,509,218**	**19,859,015**	**3,543,214**	**18,640,496**
SHAREHOLDERS' EQUITY	**7,105,540**	**40,210,959**	**7,414,564**	**39,007,278**
Paid in Capital	1,492,649	8,447,051	1,605,629	8,447,051
Capital Reserves	351,342	1,988,277	377,341	1,985,153
Share premium	98,414	556,937	105,863	556,937
Share Cancellation Profits	—	—	—	—
Other Capital Reserves	252,927	1,431,340	271,478	1,428,216
Other accumulated comprehensive income that will not be reclassified in profit or loss	295,307	1,671,174	317,251	1,669,027
Other accumulated comprehensive income that will be reclassified in profit or loss	(235,912)	(1,335,051)	152,629	802,965
Profit Reserves	4,322,623	24,462,155	3,762,681	19,795,091
Legal Reserves	194,869	1,102,781	165,259	869,410
Statutory reserves	—	—	—	—
Extraordinary Reserves	4,126,437	23,351,922	3,595,937	18,917,867
Other Profit Reserves	1,317	7,452	1,485	7,814
Profit or loss	879,414	4,976,694	1,198,917	6,307,380
Prior years' profits or losses	289,791	1,639,954	311,725	1,639,954
Current period net profit or losss	589,624	3,336,740	887,192	4,667,426
Minority interest	116	659	116	611
TOTAL LIABILITIES	**70,127,774**	**396,860,084**	**70,971,935**	**373,376,254**

Notes:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 5.6591= U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 30 September 2019. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The average and period end exchange rates for the nine months ended 30 September 2019, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "*Exchange Rates*".

(2) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 5.2609 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 31 December 2018. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The average and period end exchange rates for the year ended 31 December 2018, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "*Exchange Rates*".

The format of the Group's balance sheets changed starting in 2019 in accordance with the "Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette dated February 1, 2019 with No. 30673. Its 2018 financials have been updated in accordance with these formatting changes. The 2016 and 2017 balance sheet data below is provided for historical purposes, but care should be exercised in comparing the data below with the 2018 and 2019 balance sheet data above. In addition, the 2019 financials above reflect the application of IFRS16. See the section entitled "*Explanations on basis of presentation*" in the Annual BRSA Financial Statements as of and for the year ended 31 December 2018 and the Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 for additional detail.

	As of 31 December	
	2017	**2016**
	(TL, thousands)	
Assets		
Cash and balances with Central Bank	42,451,970	33,083,295
Financial assets at fair value through profit or (loss) (net)	4,230,080	3,040,830
Deposits with banks	4,837,212	3,448,966
Money markets	817,005	252
Financial assets available for sale (net)	24,496,524	18,386,109
Loans and receivables	201,998,787	178,664,422
Factoring receivables	3,843,167	2,894,279
Held to maturity investments (net)	14,197,066	11,588,890
Investment in associates (net)	776,528	669,117
Subsidiaries (net)	7,300	7,300
Joint ventures (net)	18,386	18,114
Lease receivables	10,311,724	8,304,486
Derivative financial assets held for hedging	1,756,611	1,209,712
Property and equipment (net)	2,611,849	2,713,047
Intangible assets (net)	1,682,226	1,566,864
Investment property (net)	—	—
Tax asset	68,080	179,391
Assets held for resale and related to discontinued operations	209,854	166,183
Other assets	5,751,749	5,193,333
Total assets	**320,066,118**	**271,134,590**
Liabilities		
Deposits	173,383,633	157,088,195
Derivative financial liabilities held for trading[2]	3,820,705	2,578,679
Funds borrowed	42,350,053	30,508,774
Money markets	16,056,140	9,205,029
Marketable securities issued (net)	23,277,871	18,080,467
Miscellaneous payables	12,754,229	11,162,787
Other liabilities	1,941,826	1,956,404
Factoring payables	—	—
Lease payables (net)	—	—
Derivative financial liabilities held for hedging	312,778	89,296
Provisions	5,482,503	4,694,072
Tax liability	865,750	581,841
Liabilities for property and equipment held for sale and related to discontinued operations (net)	—	—
Subordinated loans	9,718,804	9,067,893
Total Liabilities	**289,964,292**	**245,013,437**
Paid in capital	4,347,051	4,347,051
Capital reserves	2,803,181	2,661,627
Profit reserves	17,697,018	14,539,224
Income or (loss)	5,254,035	4,572,749
Minority interest	541	502
Total Shareholders' equity	**30,101,826**	**26,121,153**
Total liabilities and shareholders' equity	**320,066,118**	**271,134,590**

Income Statement Data

	For the nine months ended 30 September 2019	
	(U.S.$, thousands)[1]	*(TL, thousands)*
Income Statement Data:		
Interest income	5,219,827	29,407,653
Interest expense	(3,160,013)	(17,802,996)
Net interest income	**2,059,814**	**11,604,657**
Fees and commissions received	953,442	5,371,535
Fees and commissions paid	(253,712)	(1,429,370)
Net fees and commissions income	**699,730**	**3,942,165**
Dividend income	2,812	15,840
Trading profit/(loss) (net)	(211,573)	(1,191,966)
Other operating income	178,331	1,004,690
Provision for impairment of loans and other receivables	(1,068,777)	(6,021,315)
Other operating expenses[2]	(938,042)	(5,284,773)
Net operating profit/loss	**722,296**	**4,069,298**
Profit/Loss from equity method applied subsidiaries	12,107	68,211
Tax provisions for continuing operations (+/-)	(142,118)	(800,671)
Net profit/loss from continuing operations	592,285	3,336,838
Net profit/loss from discontinued operations	—	—

Notes:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 5.6338 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the nine months ended 30 September 2019. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

(2) Includes personnel costs.

	For the nine months ended 30 September 2019		For the year ended 31 December		
			2018	2017	2016
	(U.S.$, thousands)[1]	*(TL, thousands)*		*(TL, thousands)*	
Income Statement Data:					
Interest income	5,219,827	29,407,653	35,508,387	22,985,702	19,109,871
Interest expense	(3,160,013)	(17,802,996)	(21,011,923)	(13,250,685)	(10,889,187)
Net interest income	**2,059,814**	**11,604,657**	**14,496,464**	**9,735,017**	**8,220,684**
Fees and commissions received	953,442	5,371,535	5,630,813	4,250,423	3,732,653
Fees and commissions paid	(253,712)	(1,429,370)	(1,394,469)	(935,114)	(759,769)
Net fees and commissions income	**699,730**	**3,942,165**	**4,236,344**	**3,315,309**	**2,972,884**
Dividend income	2,812	15,840	14,567	10,726	6,173
Trading gain/(loss) (net)	(211,573)	(1,191,966)	(81,168)	(512,878)	187,323
Other operating income	178,331	1,004,690	1,255,118	1,143,615	550,841
Provision for impairment of loans and other receivables	(1,068,777)	(6,021,315)	(7,304,266)	(3,358,109)	(2,955,042)
Other operating expenses	(938,042)	(5,284,773)	(6,684,981)	(5,819,966)	(5,315,318)
Net operating income/loss	**722,296**	**4,069,298**	**5,932,078**	**4,513,714**	**3,667,545**
Profit/Loss from equity method applied subsidiaries	12,107	68,211	115,817	87,612	85,361
Tax provisions for continuing operations (+/-)	(142,118)	(800,671)	(1,380,357)	(987,168)	(820,046)
Net profit/loss from continuing operations	**592,285**	**3,336,838**	**4,667,538**	**3,614,158**	**2,932,860**
Net profit/loss from discontinued operations	—	—	—	—	—

Notes:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 5.6338 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the nine months ended 30 September 2019. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Key Ratios

The following table provides certain of the Group's key ratios as of and for the nine months ended 30 September 2019, and as of and for the years ended 31 December 2018, 2017 and 2016. The basis for calculation of ratios that are non-GAAP financial measures is set out in the notes below. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. See "*Presentation of Financial and Other Information—Non-GAAP Measures of Financial Performance*".

	As of and for the nine months ended 30 September	As of and for the year ended 31 December		
	2019	2018	2017	2016
		(%)		
Return on average shareholders' equity excluding minority interest(1)	11.8	14.2	13.6	12.7
Net interest margin(2)	4.4	4.5	3.5	3.4
Capital adequacy ratio	16.7	14.8	13.4	13.2
Cost to income(3)	34.2	33.4	42.2	44.2
Free capital ratio(4)	4.0	5.3	6.6	7.8
Non-performing loans to total cash loans(5)	6.7	5.3	4.3	4.8
Cost to average total assets(6)	1.8	1.9	2.0	2.1

Notes:

(1) Annualised return on average shareholders' equity excluding minority interest, calculated based on the average of shareholders' equity (less intangible assets) at the end of the current period and shareholders' equity (less intangible assets) at the end of the previous period.

(2) Net interest income divided by average interest earning assets (based on Bank-only).

(3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.

(4) Total shareholders' equity excluding investment in associates, property and equipment, intangible assets, tax assets, deferred income tax assets, other assets, (NPLs-provisions) divided by total assets.

(5) Total non-performing loans divided by total cash loans.

(6) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the period average and period-end buying rates for U.S. dollars for the periods indicated. The rates set forth below are provided solely for your convenience and were not used by the Group in the preparation of the Group's consolidated financial statements incorporated by reference in this Base Prospectus. No representation is made that Turkish Lira could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

Period Average(1)	**TL per U.S.$**	**Period End**(2)	**TL per U.S.$**
December 2019 (through 18 December 2019)	5.7706	18 December 2019	5.8558
November 2019	5.6559	30 November 2019	5.7403
October 2019	5.7786	31 October 2019	5.7363
For the nine months ended 30 September 2019	5.6197		
September 2019	5.7066	30 September 2019	5.6591
August 2019	5.6138	31 August 2019	5.8140
July 2019	5.6722	31 July 2019	5.5709
June 2019	5.8119	30 June 2019	5.7551
May 2019	6.0494	31 May 2019	5.9235
April 2019	5.7358	30 April 2019	5.9282
March 2019	5.4419	31 March 2019	5.6284
February 2019	5.2621	28 February 2019	5.2905
January 2019	5.3694	31 January 2019	5.2781
2018	4.8301	31 December 2018	5.2609
2017	3.6445	31 December 2017	3.7719
2016	3.0180	31 December 2016	3.5192
2015	2.7191	31 December 2015	2.9076
2014	2.1872	31 December 2014	2.3189
2013	1.8931	31 December 2013	2.1343
2012	1.7474	31 December 2012	1.7380
2011	1.6700	31 December 2011	1.8889
2010	1.5004	31 December 2010	1.5376
2009	1.5471	31 December 2009	1.4873
2008	1.2929	31 December 2008	1.5218
2007	1.3015	31 December 2007	1.1593
2006	1.4311	31 December 2006	1.4056

Source: Central Bank of Turkey

(1) For the periods between 2000 and 2008: Represents the arithmetic average of the month end closing rates of the TL/U.S.$ exchange rates.
For the periods after 2008: Represents the arithmetic average of the monthly averages, where monthly averages were calculated by taking the daily average of the TL/U.S.$ exchange rates.
Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL 1,000,000 = TL 1.00.

(2) Represents the TL/U.S.$ exchange rates for the purchase of U.S. dollars determined by the Central Bank on the previous working day. Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL 1,000,000 = TL 1.00.

CAPITALISATION OF THE BANK

The following table sets forth the consolidated capitalisation of the Group as of 30 September 2019. The information in this table has been extracted from the Group's Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 without material adjustment. This table should be read in conjunction with "*Use of Proceeds*" and the Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 (with 30 September 2018 comparatives) incorporated by reference in this Base Prospectus.

	As of 30 September 2019	
	(U.S.$, thousands)[(1)]	*(TL, thousands)*
Indebtedness		
Subordinated debts borrowings	3,094,763	17,513,575
Debt securities in issue	4,669,963	26,427,785
Other borrowings	8,597,531	48,654,286
Total Indebtedness	**16,362,257**	**92,595,646**
Equity		
Paid in capital and share premium	1,591,064	9,003,988
Other reserves	5,224,569	29,566,358
Retained earnings	289,791	1,639,954
Equity attributable to equity holders of the Parent	**7,105,423**	**40,210,300**
Minority interests	116	659
Shareholders' equity	**7,105,540**	**40,210,959**
Total capitalisation	**23,467,796**	**132,806,605**

Note:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 5.6591 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 30 September 2019. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA. The average and period end exchange rates for the nine month period ended 30 September 2019, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "*Exchange Rates*".

There has been no material change in the Bank's capitalisation since 30 September 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations of the Group covers the nine month periods ended 30 September 2019 and 2018 and the financial years ended 31 December 2018, 2017 and 2016. Unless otherwise specified, the financial information presented in this discussion has been extracted from the Annual BRSA Financial Statements and Interim BRSA Financial Statements without material adjustment. This section should be read in conjunction with such Annual BRSA Financial Statements and Interim BRSA Financial Statements, the notes thereto and the other financial information incorporated by reference or included in this Base Prospectus (including the section entitled "Presentation of Financial and Other Information"). The Annual BRSA Financial Statements and Interim BRSA Financial Statements have been prepared in accordance with BRSA regulations as described in "Presentation of Financial and Other Information". For a discussion of the main differences between the BRSA Financial Statements and IFRS, see "Appendix 1—Overview of Significant Differences Between IFRS and BRSA Accounting Principles".

Certain information contained in the discussion and analysis set forth below and elsewhere in this Base Prospectus includes "forward-looking statements". Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled "Forward-Looking Statements".

Introduction

Yapı ve Kredi Bankası A.Ş. is a full service bank with its headquarters in Istanbul, Turkey. According to BRSA statistics, as of 30 September 2019, the Bank was the third largest private bank in Turkey by total assets. As of 30 September 2019, the Bank had 854 branches covering all regions of Turkey (including one branch in Bahrain). It maintains leading positions in key segments and products, supported by its strong franchise, large network and leading brand. The Bank provides financial products and services including retail banking (which includes individual, SME and card payment systems), private banking and wealth management, and corporate and commercial banking through its network of branches in Turkey. Internationally, the Group operates through subsidiaries in the Netherlands, Malta and Azerbaijan and maintains a foreign branch in Bahrain.

Significant Factors Affecting Results of Operations

Numerous factors affect the Group's results of operations, some of which are outside the Group's control. The following discussion identifies certain of those factors that are significant to the Group.

Turkish Economy

The majority of the Group's operations are in Turkey and its business and results of operations are affected by general economic conditions in Turkey. As of 30 September 2019, 96.56% of the Group's total assets were located in Turkey. Accordingly, the Bank's results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange and interest rates. In addition, because the Bank is reliant on deposits from retail customers for a significant portion of its funding and generates a significant amount of its net income from retail customers, the Bank's performance is affected by changes in wages, consumer spending and GDP growth generally. See "*Risk Factors—Risks Related to the Group's Business—The Group's business, results of operations, financial condition and prospects are affected by general economic conditions in Turkey*" and "*Risk Factors—Risks Related to Turkey—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects*".

Global and emerging market uncertainties have continued for the past several years, driven by the European debt crisis, U.S. and global monetary policies, high inflation and low growth risk in emerging markets, low commodity prices, concerns about slowdown of global growth rates, particularly in China, and global trade tensions, particularly between the U.S. and China. In Turkey, GDP grew by 3.2% in 2016, 7.4% in 2017, 2.8% in 2018 and declined by 0.9% in the nine months ended 30 September 2019 according to TurkStat. GDP growth in 2016 was primarily driven by a positive and strong contribution from government expenditures, which was offset by a deceleration in external and internal demand. In 2017, private consumption and investments increased, and in the last quarter of 2017 falling net exports decelerated growth by 3%. In 2018, private consumption and capital formation had a negative impact on GDP, whereas external demand provided the only strong positive impact. In first half of 2019 GDP fell mainly due to a contraction in private consumption and investment. In the third quarter of 2019 GDP growth was driven mainly internal demand especially by public consumption while external demand had a negative impact as a reflection of both the increase in imports that followed by stronger consumption and the momentum loss in exports that affected by weaknesses in global economic outlook and export markets. The current account deficit increased to 3.8% of GDP in 2016, increased to 5.5% of GDP in 2017, then decreased to 3.5% of GDP in 2018, but Turkey's 12-months rolling current account reached a surplus of U.S.$ 5.9 billion as of 30 September 2019. Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey) as well as an increase in energy prices could result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues. CPI has missed the target by considerable margins (8.5% in 2016), and reached 11.9%, 20.3% and 16.6% as at 31 December 2017, 31 December 2018, and 31 July 2019, respectively, mainly due to the pass-through effect from the depreciation of the Turkish Lira and rising food prices. As of October 2019, CPI stood at 8.6% on a yearly basis, which is a lower rate of increase compared to the rates experienced in the first half of 2019. "*Risk Factors—Risks Related to Turkey—Turkey's economy is subject to inflation and risks relating to its current account deficit.*"

In 2015, domestic politics and continuing tensions in the region due to the turmoil in Iraq and Syria heightened the external vulnerability and exerted an additional downward pressure on economic activity.

Turkey had two fairly closely-dated elections in 2015. The first was the regular general election in June, which led to the end of the single-party governments under AKP for the last thirteen years. AKP's share of the vote decreased from 49.8% in the 2011 elections to 40.9% in the first election held in June 2015. AKP's seat number decreased to 258, 18 seats short of the single party threshold, and search for a feasible coalition by the four parties ended with no result. Kurdish insurgence, which had been relatively silent for some time, picked up discernibly in the aftermath of the elections. An early election was held on 1 November 2015 as a result of the coalition efforts yielding no results, and the ruling party AKP had a landslide victory, obtaining 317 seats in the Parliament with 49.4% of total votes. Markets reacted to this result very positively at first but questions regarding the economy team members, presidential system arguments (including constitutional reform), and possibility of pressure on the Central Bank re-emerging have created uncertainty among market participants, and some of the post-election correction in asset prices reversed. On 24 June 2018, the dual Presidential and parliamentary elections were held in Turkey. Recep Tayyip Erdoğan became the first president under the new government model of executive presidency, despite his AKP party only securing 42.5% of the votes, in conjunction with the nationalist MHP and BBP parties they have a combined majority in parliament. Furthermore, the increase in interest rates by the U.S. Federal Reserve in late 2015, 2016, 2017 and 2018 and the uncertain pace of future increases has injected further volatility into global markets. Until such uncertainties clear away fully, management expects that markets will be cautious in pricing Turkish Lira assets and forming long-term expectations. See "*Risk Factors—Risks Related Turkey—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects*". Furthermore, in the referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including the creation of an executive presidency. It is unclear, as of the date of this Base Prospectus, what impact such amendments might have on Turkish government institutions. As such, political uncertainty is likely to continue. See "*Risk Factors—Risks Related to Turkey—Political developments in Turkey may have a material adverse effect on the Group's business, financial condition, results of operations and prospects*". There can be no assurance that the political instability in Turkey will not continue or that the political situation in Turkey will not further deteriorate.

Turkey's GDP grew by 3.2% in 2016, 7.4% in 2017, 2.8% in 2018 and declined by 0.9% in the nine months ended 30 September 2019 according to TurkStat. Growth in Turkey slowed in 2016, largely as a result of the continuing political uncertainty following the attempted coup in Turkey in July 2016, with Turkey's GDP contracting in the third quarter of 2016. GDP growth in 2016 was primarily driven by government consumption, while private consumption and investment activity slowed down following the attempted coup. Growth in 2017 was mainly driven by private consumption and investments. Although the trend of strong continued into the first half of 2018 as a result of strong domestic demand, in the second half of 2018 economic growth slowed as deteriorating financial conditions weighed on the real sector, on investment, and on consumer confidence. Headline inflation was 8.6% as of 31 October 2019, compared to 20.3% as of 31 December 2018, 11.9% as of 31 December 2017 and 8.5% as of 31 December 2016. Core inflation (C Index) was 6.7% year-on-year as of 31 October 2019, compared to 19.5% year-on-year as of 31 December 2018, 12.3% year-on-year as of 31 December 2017 and 7.5% year-on-year as of 31 December 2016. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*" and "*Risk Factors—Risks Related to Turkey—Turkey's economy is subject to inflation and risks relating to its current account deficit*".

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, after the failed coup attempt, the Turkish President announced, pursuant to Article 120 of the Turkish Constitution, a nationwide three month state of emergency, entitling the government to exercise additional powers. Following multiple further three-month extensions, the state of emergency was lifted on 18 July 2018.

Following the attempted coup in July 2016, Turkey's sovereign credit rating and the ratings of 17 Turkish banks were downgraded on several occasions, driven by both domestic and international factors. Further tatings action has continued in the past several months. On 14 June 2019, Moody's downgraded the Turkey's long-term issuer and senior unsecured bond ratings to "B1" from "Ba3" and maintained the negative outlook, on the back of its view that the risk of a balance of payments crisis continues to rise, and with it the risk of a government default, which Moody's mainly attributes to the Turkey's high reliance on external capital across all sectors of the economy. On 12 July 2019, Fitch downgraded Turkey's sovereign rating to "BB-" from "BB", mainly based on (i) the dismissal of the central bank governor on 6 July 2019, which heightened doubts over the Turkish authorities' tolerance for a period of sustained below-trend growth and disinflation according to Fitch, and (ii) the risk of U.S. sanctions triggered by delivery of S-400 missile components from Russia, which Fitch expects to be of a "relatively mild form with minimal direct economic effect" but which might have a significant impact on the sentiment according to Fitch. On 1 November 2019, Fitch revised the outlook on Turkey's sovereign rating to stable from negative, and affirmed at "BB-", citing continued progress in rebalancing and stabilisation of the Turkish economy with an improved current account balance, however noting Turkey's gross external financing requirement as a source of vulnerability. On 12 November 2019, following its revision of Turkey's long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable, including that of the Bank, though on 13 December 2019, following the announcement of an agreement to change the Bank's ownership structure as described under *"Recent Developments*", Fitch revised the Group's outlook from stable to negative.

As of the date of this Base Prospectus, investigations with respect to the attempted coup are ongoing. There might still be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws. Any future investigations may include customers of the Bank, which could impact such customers' ability to meet their obligations and may in turn result in an adverse impact on the Bank's loan portfolio. The ongoing investigations following the failed coup attempt and state of emergency have contributed to uncertainty surrounding the Turkish political environment. Despite signs of political unity in the immediate aftermath of the coup attempt, tensions between political parties remain high. In addition, it remains unclear what impact the amendments to the Turkish Constitution approved by the referendum in April 2017 will have on the consolidation of political power, political checks and balances or the structure and independence of government institutions. As such, political uncertainty is likely to continue. See *"Risk Factors—Risks Related to Turkey"*.

A slowdown in global economic activity (and in particular in the U.S. and China), weaker economic conditions across EU markets, the impact of the U.K. referendum to exit the EU, a sell-off in emerging markets, central bank actions (including the pace of rise of U.S. interest rates), U.S. foreign, monetary and trade policy or even uncertainty over the anticipation of these facts, are potential sources of volatility and fragility for the Turkish economy.

On 20 September 2018, the Turkish Treasury and Finance Minister announced the Government's Medium Term Program, renamed the New Economic Program ("NEP") for the 2019 to 2021 period. The objectives of the NEP are rebuilding financial and price stability, ensuring budget discipline and economic rebalancing and achieving sustainable economic growth via transformation in manufacturing and exports. As part of the rebalancing objective, the Government targets a 2.3% GDP growth in 2019. The NEP contemplates the ratio of the budget deficit to GDP to be 1.9% in 2018 and 1.8% in 2019. The Government also expects inflation to reach 20.8% by the end of 2018 and to decrease to 15.9% by the end of 2019. The New Economic Programme was updated in October 2019. The updated New Economic Programme set the GDP growth estimates as 0.5% for 2019 and 5.0% for each of 2020, 2021 and 2022. Further, it has estimated the inflation rate as 12.0%, 8.5%, 6.0% and 4.9% for 2019, 2020, 2021 and 2022, respectively. CPI increased to 25.2% in October 2018, and the 12-month moving average of inflation in October 2018 was 14.9% compared to 10.4% in October 2017, with inflation continuing to remain a policy concern. On 9 October 2018, in an effort to counter increasing inflation, the Government announced measures to combat inflation with the support of the private sector. These measures include a program for participants in the private sector to apply 10% discount on some products until end of 2018. A number of private companies have joined the program to date. Moreover, the Government announced that there will be no more price increases to electricity and natural gas until the end of 2018. In addition, in order to tackle inflation and tighten monetary policy, the Central Bank increased the policy rate by 625 bps to 24% in September 2018. Since April 2018, the average cost of funding has increased by 11.25%. After September 2018, CBRT kept the interest rate stable at an elevated level of 24% in order to fight against inflation until July 2019. Furthermore, the Government's action plan, announced in April 2019, aimed to control food inflation. Accordingly, agricultural products were regulated and subsidized through the wholesale market, and green houses were regulated through the establishment of SERA A.Ş. With the help of the appreciation of the Turkish Lira, a decline in food prices and suppressed domestic demand, inflation declined to 15.7% in June 2019. In addition to declining inflation, the global environment improved for emerging economies, helping CBRT to ease monetary policy. CBRT decreased the one-week repo rate by 425 bps to 19.75% in July 2019. Further, the Central Bank continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 and by 200 bps to 12.00% in December 2019.

The following table presents selected macroeconomic data with respect to the Turkish economy as of or for the periods indicated below:

	As of or for the period indicated in	As of or for the years ended 31 December(1)						
	2019	2018	2017	2016	2015	2014	2013	2012
Nominal GDP at current prices (in millions of Turkish Lira)(6)	3,090,984	3,700,989	3,106,537	2,608,525	2,337,529	2,044,465	1,809,713	1,569,672
Real GDP growth (%)(6)	(0.9)	2.6	7.4	3.2	6.1	5.2	8.5	4.8
Deficit/surplus of consolidated budget (%)(2) (5)	(2.7)	(1.9)	(1.5)	(1.1)	(1.0)	(1.1)	(1.0)	(1.9)
Inflation (end of period) (%)(5)	8.6	20.3	11.9	8.5	8.8	8.2	7.4	6.2
Central Bank reference interest rate(4)	14.0	24.0	8.0	8.0	7.5	8.25	4.5	5.5
O/N Lending Rate of the Central Bank (%)(4)	15.50	25.50	9.25	8.50	10.75	11.25	7.75	9.00
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. dollar (%)(5)	(9.0)	(39.5)	(7.2)	(21. 0)	(25.4)	(8.6)	(19.7)	5.9
Real effective exchange rate appreciation (depreciation) (%)(3)(5)	0.7	(11.5)	(7.7)	(5.6)	(6.3)	4.7	(9.1)	7.3
Total gross gold and international currency reserves (in millions of U.S. dollars) (7)	**101,113**	**93,028**	**107,730**	**106,111**	**110,533**	**127,308**	**131,034**	**119,167**

Notes:
(1) Inflation, nominal depreciation of the Turkish Lira against the U.S. dollar and real effective exchange rate are presented on a year to year basis.
(2) Last 12 months deficit over last 12 months GDP.
(3) CPI based real effective exchange rate is used.
(4) Presented as of 25 October 2019.
(5) Presented as of, or for the ten months ended, 31 October 2019.
(6) Presented as of, or for the nine months ended, 30 September 2019.
Sources: TurkStat for nominal GDP at current prices, real GDP growth, inflation. Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit surplus of consolidated budget and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. dollar, real effective exchange rate and total gross gold and international currency reserves.

Interest Rates

Market Interest Rates

One of the primary factors affecting the Group's profitability is the level of fluctuations in interest rates in Turkey, which in turn influence the return on its securities portfolio and its loan and deposit rates. Since 2016, elevated uncertainties regarding global monetary policies and domestic conditions have led the Central Bank to adopt a more varying monetary policy.

Since the beginning of 2016 through to mid-2019, the Central Bank has generally tightened monetary policy in order to cope with significant deterioration in the Turkish Lira and the resulting pressure on inflation, including a number of large rate hikes of which the most notable was the increase in the policy rate by 625 bps to 24% in September 2018, following a number of earlier increases in 2018 with CPI hitting 25.2% in October 2018. The policy rate was 7.50% in early 2016 and peaked at 24% in September 2018. CPI came down to 15.72% in June 2019, and the 12-month moving average of inflation in June 2019 was 19.92%. Most recently, however, the Governor of the Central Bank was replaced on 6 July 2019 and the Central Bank cut interest rates by 425 bps on 25 July 2019 with the help of weaker global economic activity and reduced inflationary pressure. More recently, the Central Bank has continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 and by 200 bps to 12.00% in December 2019. See "*Risk Factors—Risks Related to Turkey—The value of the Turkish Lira fluctuates against other currencies*"

Impact of Interest Rates on the Group

Interest earned and paid on the Group's assets and liabilities reflects, to a certain degree, inflation, expectations regarding inflation, shifts in short term interest rates set by the Central Bank and movements in long term real interest rates.

As is the case for the Turkish banking system generally, the Group's assets have a longer maturity and reprice more slowly than its liabilities. As a result, changes in short term interest rates are generally reflected in the rates of interest paid by the Group on its liabilities before such changes can be reflected in the rates of interest earned by the Group on its assets. Therefore, when interest rates decline, the Group's interest margin is positively affected, but when interest rates increase, the Group's interest margin is generally negatively affected.

The current environment remains intensely competitive, and there has been sustained pressure on margins from time to time, particularly during high interest rate environments due to increasing deposit costs across the Turkish banking sector. In light of these conditions, the Group is strongly focusing on customer business, small ticket retail deposit generation with an increasing share of demand deposits in total deposits, optimal allocation of loans in higher yielding segments and reducing concentration, optimisation of deposit pricing, diversification of funding sources and fee income generation, especially through transactional banking and payment systems. The Group has generally been able to generate a substantial portion of its revenue from service income and fees which it views as sustainable, for example, as of 30 September 2019 and 31 December 2018, 26% and 21% of the operating revenues of the Group consisted of net fees and commissions, respectively. A strong contributor to the Group's fee and commission income is the credit card sector where the Group is a market leader with a 19.4% market share in volume of outstanding credit card balances, 18.5% market share in issuing volume, 18.8% market share in acquiring volume, and 17.5% market share in number of cards as of 30 September 2019, according to the Interbank Card Centre. In order to further enhance fee and commission income, the Group has been focusing on diversification of fees, through extensive focus on fee dynamics, new product launches, changes to transaction fees and increasing fee generating products, such as insurance policies, distributed by the Bank's wide branch network, cash management and trade finance. The Group has an entire department established solely to evaluate fee performance and related metrics. The Group also re-designed its service model to support managed-risk revenue generation through a portfolio management approach for business banking customers in a refined affluent segment with additional advisory services and specialized services for a blue class customer sub-segment within a unified risk management system.

Over the past years, however, consumer fees have been limited to a certain extent by regulatory actions as part of the consumer protection laws and regulations introduced since 2014. The Bank was able to offset the impact through a strategic focus on enhancing fee generating activity, particularly in unregulated areas (such as payment systems) and still has one of the highest ratios of fees/revenues among peer banks. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*".

Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. dollars and euros (49.95% of total assets and 56.12% of total liabilities as of 30 September 2019). While the Group monitors its net open position in foreign currencies and the Group is required to comply with foreign currency net open position limits set by the BRSA, the Group has maintained and is likely to continue to maintain gaps between the balances of its foreign currency assets and liabilities. The limit imposed by the BRSA is defined as an amount plus/minus 20% of the total capital, which is the basis for capital adequacy calculation. Foreign currency trading is primarily performed for client servicing transactions, and positions should not exceed the Group's end of day limit of EUR 60 million. The Group's net foreign currency open position as of 30 September 2019, 31 December 2018, 2017 and 2016 was as follows:

	Foreign Currency			
	EUR	**U.S.$**	**Other**	**Total**
	(thousands)			
As of 30 September 2019	480,345	(736,840)	1,061,823	805,328
As of 31 December 2018	256,941	(1,227,610)	1,389,810	419,141
As of 31 December 2017	192,685	80,158	671,019	943,862
As of 31 December 2016	127,584	(145,913)	609,119	590,790

Because the Group translates such assets and liabilities and interest earned from and paid on those assets and liabilities into local currency (Turkish Lira), the Group's income statement is affected by changes in exchange rates. The overall effect of exchange rate movements on the Group's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For the nine months ended 30 September 2019 and year ended 31 December 2018, the Group recorded net foreign exchange loss of TL (852,581) thousand and TL (12,106,462) thousand, and for the years ended 31 December 2017 and 2016, the Group recorded net foreign exchange gains of TL 435,055 thousand and TL 225,458 thousand, respectively.

The exchange rate of Turkish Lira to U.S. dollars has experienced increased volatility in recent years, with an overall depreciating trend. Although volatility initially decreased at the beginning of 2016, volatility increased following the coup attempt, and the exchange rate reached then-record high levels, rising to TL 3.54 to U.S.$1 at the end of 2016 and TL 3.89 to U.S.$1 in January 2017. Following the Central Bank's tightening measures, the Turkish Lira gained value against the U.S. dollar in February and March 2017, but for the year ended 31 December 2017, the Turkish Lira depreciated by 7% and in the six months ended 30 June 2018, the Turkish Lira depreciated by 21%, mainly based on deteriorating macroeconomic conditions and global factors leading to a stronger U.S. dollar. As a result of heightened tensions in relations between Turkey and the United States, the Turkish Lira depreciated by a further 51% from 30 June 2018 until, on 13 August 2018, the Central Bank and the BRSA announced measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated by approximately 11%, but has continued to exhibit substantial volatility with continuing pressure. In addition to these measures, the Central Bank increased its reference interest rate by 625 bps to 24% in September 2018 to tighten monetary policy. With the support of these measures and policies, along with easing of tensions with the United States, the Turkish Lira appreciated against the U.S. dollar and reached an exchange rate of TL 5.15 to U.S.$1 in December 2018. During the six months ended 30 June 2019, due to volatility in the financial markets, a rise in risk premiums and uncertainties surrounding local elections, the Turkish Lira depreciated to TL 6.21 to U.S.$1 in May 2019, but from May 2019 the Turkish Lira started to appreciate again assisted by easing monetary policies in global markets, declining risk premiums and tight monetary policy by the Central Bank. The exchange rate fell to a low of TL 5.47 to U.S.$1 in August 2019. The CBRT held the Central Bank reference interest rate at 24.0% until July 2019, after which, with the support of the economic recovery in Turkey, stability in the Turkish Lira, a reduction in the CPI and a favourable global macroeconomic environment, the CBRT started easing rates and cut the Central Bank reference interest rate by 10 percentage points between July 2019 through October 2019 (from 24% as of 30 June 2019 to 12% as of 13 December 2019). The Turkish Lira has remained stable in September and November, 2019, since the CBRT's rate cuts and the exchange rate stood at approximately TL 5.70 to U.S.$1 as of 21 November 2019. Depreciation of the Turkish Lira may have a negative impact on the asset quality of certain industries in Turkey, particularly those that rely on domestic revenues to fund foreign currency loans. However, as the Group minimises its open foreign currency positions, the net balance sheet foreign currency position of the Group is not significant, and thus exchange rate fluctuations generally do not have a significant impact on the Group's balance sheet directly.

Exchange rate movements also 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). In particular, in 2016, the depreciation of the Turkish Lira had a negative impact of 71 bps on the Group's capital adequacy ratio and had a negative impact of 73 bps on the Bank's capital adequacy ratio. For the year ended 31 December 2017, the depreciation of the Turkish Lira had a negative impact of 57 bps on the Group's capital adequacy ratio and had a negative impact of 58 bps on the Bank's capital adequacy ratio. For the year ended 31 December 2018, the depreciation of the Turkish Lira had a negative impact of 171 bps on the Group's capital adequacy ratio. For the nine months ended 30 September 2019, the depreciation of the Turkish Lira had a negative impact of 53 bps on the Group's capital adequacy ratio. In addition to the effect on capital adequacy, appreciations or depreciations of the Turkish Lira against the U.S. dollar and other major currencies will have a corresponding decrease or increase, respectively, on the value of the Bank's foreign currency denominated liabilities, affecting the Bank's financial condition and on the cost of servicing foreign currency denominated debt, impacting the Bank's results of operations. In addition, a significant depreciation of the Turkish Lira may adversely impact some of the Bank's major borrowers, who are exposed to foreign exchange risk, which could result in an increase in NPLs, negatively affecting the Bank's business.

Since February 2001, the Central Bank has adopted a floating exchange rate regime. For a discussion thereof please refer to "*—Reserve Requirements Ratios*" and "*Risk Factors—Risks Related to Turkey—The value of the Turkish Lira fluctuates against other currencies*".

Marketable Securities Portfolio

The Group's marketable securities portfolio is comprised of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost. The portfolio primarily includes Government debt securities, both in local and foreign currency.

The Group's net financial assets at fair value through other comprehensive income amounted to TL 26,500,797 thousand as of 30 September 2019, TL 26,883,680 thousand as of 31 December 2018, TL 24,496,524 thousand as of 31 December 2017 and TL 18,386,109 thousand as of 31 December 2016 and the Group's net financial assets measured at amortised cost amounted to TL 27,231,440 thousand, TL 22,805,679 thousand, TL 14,197,066 thousand and TL 11,588,890 thousand as of 30 September 2019 and 31 December 2018, 2017 and 2016, respectively. The Group also had a portfolio of financial assets at fair value through profit or loss amounting to TL 653,587 thousand as of 30 September 2019, TL 248,156 thousand as of 31 December 2018, TL 4,230,080 thousand as of 31 December 2017 and TL 3,040,830 thousand as of 31 December 2016. Interest income derived from the Group's marketable securities portfolio amounted to TL 4,502,684 thousand for the nine months ended 30 September 2019, TL 7,182,346 thousand for the year ended 31 December 2018, TL 3,436,507 thousand for the year ended 31 December 2017 and TL 2,400,058 thousand for year ended 31 December 2016, accounting for 15.31%, 20.22%, 14.95% and 12.56% of total interest income for the respective periods. The Group's CPI-linked nominal volume was TL 14.1 billion as of 30 September 2019 (year-to-date increase of 11%) TL 12.8 billion as of 31 December 2018, with a gain of TL 2,388 million for the nine months ended 30 September 2019. As of 30 September 2019, mark-to-market unrealised loss of the Group was at TL 1,198 million, compared with a loss of TL 1,748 million as of 31 December 2018.

Reserve Requirement Ratios

Between 2010 and 2019, the Central Bank announced significant changes in bank reserve requirements for Turkish Lira and FX deposits with the intention of using reserve requirements more flexibly and effectively as a macro prudential tool to support financial stability. The Central Bank's aim is also to lengthen the maturities of assets flowing into the country and to address concerns that maturities of liabilities in the Turkish banking sector are shorter than those of assets, which in turn expose the sector to liquidity and interest rate risk. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of*

Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector" and "*Turkish Regulatory Environment—Liquidity Reserve Requirement*".

During 2015, the Central Bank kept reserve requirement ratios for foreign currency deposits up to 1 month stable at 13.00% and foreign currency deposits over one year maturity remained stable at 9%. The Central Bank increased reserve requirement ratios for foreign currency other liabilities to 25% (up to and including one year maturity), 20% (between one to two years maturity), 15% (between two to three years maturity), 7% (between three to five years) and reduced to 5% (over five years maturity) in order to incentivise longer maturities for funding.

The Central Bank initiated interest payments to Turkish Lira reserve requirements as of November 2014 and to foreign currency reserve requirements as of May 2015, in order to support the Turkish banking sector's profitability.

In 2016, following six years of increases, the Central Bank cut reserve requirement ratios three times to provide additional liquidity to markets. Turkish Lira reserve requirement ratios were reduced by 150 bps in total for all maturity brackets, while reserve requirement ratios for foreign currency deposits were kept stable.

The Central Bank has also implemented reserve option coefficients for the calculation of the respective foreign currency and gold amounts. The reserve option coefficient mechanism acts as an auto stabiliser for currency movements as it provides banks the flexibility to adjust their reserves at the Central Bank depending on their liquidity needs. On 24 July 2014, the Central Bank introduced an amendment to the Communiqué on Reserve Requirements requiring the respective foreign currency to be denominated only in U.S. dollars for the reserves set aside at an amount calculated according to reserve option coefficients. On 31 October 2016, the Central Bank decreased the coefficients for the second, third and fourth tranches of the foreign currency facility of the reserve option mechanism ("**ROM**") by 0.2 points. On 17 November 2016, the coefficient for the first tranche of the foreign exchange facility of the ROM was unchanged, the second tranche was decreased by 0.1 point and the other tranches were decreased by 0.2 points, in each case, to provide additional foreign currency liquidity to the financial system. On 10 January 2017, the CBRT reduced the foreign currency reserve ratio by 50 bps for all maturity brackets. Moreover, on 6 November 2017, the CBRT revised the upper limit for the foreign exchange maintenance facility within the ROM framework and lowered it to 55% from 60% and all tranches have been reduced by 5 points. The remuneration rate on USD denominated required reserves (i) increased from 1% to 1.25% on 19 June 2017, (ii) increased from 1.25% to 1.50% on 18 December 2017, (iii) increased from 1.50% to 2.00% on 23 October 2018, and (iv) decreased to 1.00% from 2.00% on 5 August 2019.

In May 2018, the upper limit for the foreign exchange ("**FX**") maintenance facility within the ROM was lowered to 45% from 55%. On 6 August 2018, the upper limit for the FX maintenance facility within the ROM was lowered to 40 percent from 45 percent, with all tranches remaining stable. Furthermore, on 13 August 2018, CBRT introduced amendments to the Communiqué Regarding Reserve Requirements to support the effective functioning of financial markets and the flexibility of the banks. Turkish Lira reserve requirement ratios have been reduced by 250 bps for all maturity brackets. Reserve requirement ratios for non-core FX liabilities have been reduced by 400 bps for up to three-year maturities and the maximum average maintenance facility for FX liabilities has been raised to 8 per cent. In addition to U.S. dollars, euro can be used for the maintenance against Turkish Lira reserves under the reserve options mechanism.

On 18 January 2019, CBRT decided to exclude deposits/participation funds of official institutions from the liabilities subject to reserve requirements. On 16 February 2019, Turkish Lira reserve requirement were reduced by 100 bps for deposits and participation funds with maturities up to 1-year and for other liabilities with maturities up to (and including) 3-years, and by 50 bps for all other liabilities subject to reserve requirements. Furthermore, the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents has been increased from 5% to 10% of Turkish Lira reserve requirements.

Moreover, on 9 May 2019, the upper limit for the FX maintenance facility within the reserve options mechanism was lowered from 40% to 30% and reserve requirement ratios for FX liabilities were increased by 100 bps for all maturity brackets. On 27 May 2019, reserve requirement ratios for FX deposits/participation funds increased by 200 bps for all maturity brackets. On 7 August 2019, reserve requirement ratios for FX deposits/participation funds increased by 100 bps for all maturity brackets, and the remuneration rate for U.S.

dollar-denominated required reserves, reserve options and free reserves held at the CBRT has been decreased by 100 bps and set as 1 percent. Accordingly, with the amendments made to the Communiqué Regarding Reserve Requirements on 7 August 2019, effective as of 26 July 2019, the Central Bank's reserve requirement ratios for foreign currency deposits up to one year stood at 16.00% and foreign currency deposits over one year maturity remained stable at 12.00%. The Central Bank's reserve requirement ratios for foreign currency other liabilities stood at 21% (up to and including one year maturity), 16% (between one to two years maturity), 11% (between two to three years maturity), 7% (between three to five years) and 5% (over five years maturity).

On 19 August 2019 and 9 December 2019, with the intention of using reserve requirements more flexibly and effectively as a macro prudential tool to support financial stability, CBRT decided to change the ratio of and the remuneration applied to required reserves. For developments in the use of reserve requirements see "*Turkish Regulatory Environment—Liquidity Reserve Requirement*".

Basel III Transition

In September 2013, the BRSA announced its intention to adopt the Basel III requirements and has been implementing various measures. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements.

On 23 October 2015, the BRSA issued certain amendments to the regulatory capital regulations in Turkey with a view to aligning the Turkish regulatory capital regime with Basel III requirements. These amendments were published in the Official Gazette numbered 29511 and entered into force on 31 March 2016. In summary, these new regulations included the following changes: (i) certain amendments to the Equity Regulation, (a) clarifications to the eligibility requirements of Additional Tier 1 and Tier 2 instruments, and (b) amendments to the regulatory treatment of certain capital items that are taken into account for the purposes of calculating regulatory capital of the banks; (ii) certain amendments to the regulations regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, which impose new regulatory requirements to enhance the effectiveness of the internal risk management and internal capital adequacy assessment by introducing, among others things, new stress test requirements; and (iii) the introduction of the 2016 Capital Adequacy Regulation to replace the existing Capital Adequacy Regulation. On 20 January 2016, the BRSA introduced certain amendments to existing regulations with a view to continuing its efforts to adopt Basel III requirements. These amendments were published in the Official Gazette numbered 29599 and entered into force on 31 March 2016, except for the amendments relating to internal systems and internal capital adequacy ratios which entered into force on 20 January 2016. The amendments relate to equity requirements, liquidity coverage ratios, internal systems and internal capital adequacy ratios, capital adequacy requirements, risk assessment models and calculation of market risk, credit risk calculations, credit risk mitigation methods, risk management disclosures and financial statement disclosures.

Pursuant to the BRSA Decisions on the Countercyclical Capital Buffer, the countercyclical capital buffer for Turkish banks' exposures in Turkey has initially been set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

The BRSA published amendments to the Equity Regulation in the Official Gazette dated 20 January 2016 and numbered 29599, with such amendments entered into force on 31 March 2016. Such amendments introduced certain limitations to the items that are included in the capital calculations of banks that have issued old-style Additional Tier 1 and old-style Tier 2 instruments prior to 1 January 2014 and some adjustments in capital deduction items. Accordingly, as of 31 March 2016, the old-style Tier 2 instruments treated under the Bank's Tier 2 capital are subject to greater deduction in such capital treatment. First, the amortisation of the grandfathering treatment for old-style Tier 2 instruments will increase with the deduction for such capital treatment increasing from 20% to 40% for 2016. Second, foreign exchange rates of 1 January 2013 (rather than 1 January 2015) will be used as the maximum threshold in the valuation of such old-style Tier 2 instruments in the capital calculations of the banks. Lastly, on 22 June 2016, the BRSA introduced an amendment to the Equity Regulation to change the items taken into account in equity calculation with an enforcement date of 1 January 2017, and also published a draft Communiqué on Principles for Debt

Instruments to be Included in Equity Calculations by Banks to introduce certain rules in relation to conversion and write-down of debt instruments to be included in additional Tier I or Tier II capital.

On 23 February 2016, the BRSA issued the D-SIBs Regulation introducing a methodology for assessing the degree to which banks are systemically important in the domestic market. The contemplated methodology requires the identification of the Turkish D-SIBs under four different categories based on their 2014 year-end consolidated financial statements, and requires the banks falling within these categories to hold 1 to 3% of additional core capital (*ilave çekirdek sermaye*) of their total risk-weighted assets. This additional core capital requirement that came into effect on 31 March 2016, subject to a transition period as set out below.

Groups	**D-SIBs Buffer Ratios (%)**			
	2016	**2017**	**2018**	**from 1 January 2019**
4th group (empty)	0.75	1.5	2.25	3
3rd group	0.5	1	1.5	2
2nd group	0.375	0.75	1.125	1.5
1st group	0.25	0.5	0.75	1

As of the date of this Base Prospectus, and effective from 1 January 2019, the Bank has been classified into the second group with respect to D-SIBs buffer ratios. However, the Bank expects be classified into the first group as of 1 January 2020, resulting in a decrease of 50 bps with respect to its required D-SIBs buffer ratio.

Change in credit cards and overdraft accounts cap rates

On 12 November 2016, the monthly maximum contractual interest rate for individual and commercial credit cards decreased to 1.84%, with effect as of 1 January 2017 (from 2.02%) and remained at that level until second half of 2018. The CBRT increased the rate again to 2.02% and then to 2.25% in June and September 2018, respectively, following the application of a tight monetary policy stance by the CBRT. Finally in 2019, the CBRT cut the monthly cap rate for TRY-denominated credit card balances, first to 2.00% and then to 1.60% on June and September 2019, respectively. The rate stands at 1.60% as of the date of this Base Prospectus.

On 27 May 2013, the Central Bank made an amendment in the Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions. In this regard, the Central Bank introduced an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts will not exceed that of credit cards stated above. Such reductions have continued to have a negative impact on the Bank's interest income for the periods under review.

Analysis of Results of Operations for the Nine Months Ended 30 September 2019 and 2018

The Group's net profit was TL 3,336,838 thousand in the nine months ended 30 September 2019, indicating a decrease of 6.96% compared to net profit of TL 3,586,347 thousand for the nine months ended 30 September 2018. The decrease was primarily driven by the challenging operating environment as well as lower CPI linker income in 2019. The Group's cost to income ratio realised at 34.2% for the nine months ended 30 September 2019 compared to 32.1% for the nine months ended 30 September 2018. Effective cost management strategies and the Group's focus on efficiency contained costs during the period, with salaries and other costs growing in line with inflation.

The table below summarises the Group's income statement for the nine months ended 30 September 2019 and 2018, the components of which are described in greater detail below:

	For the nine months ended 30 September		
	2019	**2018**	**% Change**
	(TL thousands)		
Income Statement Data			
Interest income	29,407,653	24,489,639	20.08%
Interest expense	(17,802,996)	(14,124,548)	26.04%
Net interest income	**11,604,657**	**10,365,091**	**11.96%**
Net fees and commissions income	3,942,165	3,120,829	26.32%
Dividend income	15,840	12,753	24.21%
Trading gain/(loss) (net)	(1,191,966)	(57,643)	1967.84%
Other operating income	1,004,690	1,092,331	-8.02%

	For the nine months ended 30 September		
	2019	2018	% Change
Gross profit from operating activities	**15,375,386**	**14,533,361**	**5.79%**
Provision for expected losses	(5,722,017)	(4,469,945)	28.01%
Other operating expenses	(2,787,582)	(2,443,295)	14.09%
Other provision expenses	(299,298)	(870,403)	-65.61%
Personnel expenses	(2,497,191)	(2,242,768)	11.34%
Net operating profit/(loss)	**4,069,298**	**4,506,950**	**-9.71%**
Profit/Loss from equity method applied subsidiaries/Income/(loss) from investments accounted based on equity method	68,211	83,930	-18.73%
Profit/(loss) before taxes from continuing operations	**4,137,509**	**4,590,880**	**-9.88%**
Tax provisions for continuing operations (±)	(800,671)	(1,004,533)	-20.29%
Net profit/loss	**3,336,838**	**3,586,347**	**-6.96%**
Minority interest profit/losses	98	93	5.38%
Group's profit/loss	**3,336,740**	**3,586,254**	**-6.96%**

The following table provides certain of the Group's key ratios as of the dates and for the periods indicated:

	As of and for the ninemonths ended 30 September 2019	As of and for the year ended 31 December 2018
	(%)	
Return on average shareholders' equity excluding minority interest[(1)]	11.8	14.2
Net interest margin[(2)]	4.4	4.5
Capital adequacy ratio	16.7	14.8
Cost to income[(3)]	34.2	33.4
Free capital ratio[(4)]	4.0	5.3
Non-performing loans to total cash loans[(5)]	6.7	5.3
Cost to average total assets[(6)]	1.8	1.9

Notes:

(1) Annualised return on average shareholders' equity excluding minority interest, calculated based on the average of shareholders' equity (less intangible assets) at the end of the current period and shareholders' equity (less intangible assets) at the end of the previous period.

(2) Net interest income divided by average interest earning assets (based on Bank-only).

(3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.

(4) Total shareholders' equity excluding investment in associates, property and equipment, intangible assets, tax assets, deferred income tax assets, other assets, (NPLs-provisions) divided by total assets.

(5) Total non-performing loans divided by total cash loans.

(6) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

Key ratios related to profit and loss items are compared on an annual basis.

Net Interest Income and Net Interest Margin

Based on the BRSA Financial Statements for the nine months ended 30 September 2019, the Group's net interest income was TL 11,604,657 thousand, an increase of 11.96% compared to TL 10,365,091 thousand for the nine months ended 30 September 2018, primarily driven by a 7.45% increase in interest income received from performing loans due to the Group's focus on small tickets. The Group's interest expense increased by 26.04% in the nine months ended 30 September 2019 as compared to the corresponding period in 2018, primarily driven by a 47.5% increase in interest expense on Turkish Lira deposits (which constitute 84.31% of the Group's interest expense). This increase in interest expense was partially offset by an increase in interest income of 17.0% over the same period.

The Group's interest income is primarily attributable to interest on loans, which amounted to TL 22,219,581 thousand (75.56% of total interest income) for the nine months ended 30 September 2019, an increase of 19.15% compared to TL 18,648,111 thousand (76.15% of total interest income) for the previous year. The increase was mainly attributable to interest income received from TL loans. The Group's remaining interest income mainly derives from interest received from marketable securities, which amounted to TL 4,502,684 thousand (15.31% of the Group's total interest income) in the nine months ended 30 September 2019, an increase of 14.12% compared to TL 3,945,691 thousand (16.11% of the Group's total interest income) for the previous year. The increase was primarily due to interest income received from TL securities and to the Group's CPI linker income, which increased to TL 2,388 million as of 30 September 2019 from TL 2,257 million as of the same period of 2018. As of 30 September 2019, the Bank's cumulative net interest margin (net interest income divided by average interest earning assets, Bank only) was 4.4%, which improved from 4.2% as of the same period of 2018. As of 30 September 2019 on a swap-adjusted basis, the Bank's cumulative net interest margin was 3.4%, which decreased from 4.1% as of 31 December 2018 mainly due to the difference between the CPI linker valuation of 11.0% as of 30 September 2019 compared to 25.2% as of 31 December 2018. When calculated excluding CPI linkers there is a 20 bps increase in swap adjusted net interest margin within the same period due primarily to a faster than expected decline in interest rates and better than budgeted execution of our strategic shift toward small ticket deposits.

Net Fees and Commission Income

The Group's net fees and commission income for the nine months ended 30 September 2019 amounted to TL 3,942,165 thousand, an increase of 26.32% from TL 3,120,829 thousand for the nine months ended 30 September 2018. This increase was mainly driven by increased fees and commissions from both transactional banking and payment systems.

As of 30 September 2019, of the total fees and commissions received by the Bank, 27% came from card payment systems (which increased by 27.2% compared to 30 September 2018, which was primarily the result of the Group's strong positioning in the cards business), 27% from lending related activity (which increased by 27% compared to 30 September 2018, which was supported by the 48% year-on-year increase in fees received from non-cash loans), 5% from bancassurance (which increased by 18% compared to 30 September 2018), 7% from money transfers (which increased by 38% compared to 30 September 2018), 1% from asset management fees (which decreased by 7% compared to 30 September 2018), 1% from account maintenance fees (which increased by 24% compared to 30 September 2018) and 0.5% from brokerage fees (which decreased by 16% compared to 30 September 2018).

Other Operating Income

Other operating income for the nine months ended 30 September 2019 was TL 1,004,690 thousand, a decrease of 8.02% from TL 1,092,331 thousand for the nine months ended 30 September 2018.

Allowance for Expected Credit Losses

Allowance for expected credit losses and other provision expenses for the nine months ended 30 September 2019 amounted to TL 6,021,315 thousand, an increase of 12.75% from TL 5,340,348 thousand for the nine months ended 30 September 2018. Allowance for expected credit losses under TFRS 9, including provisions for financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, other assets and cash and non-cash loans, increased by 28.01% during the nine months ended 30 September 2019 to TL 5,722,017 thousand. Given the challenging Turkish macroeconomic conditions in the year ended 31 December 2018 and the nine months ended 30 September 2019, the Group's allowance for expected credit losses has increased due to both realized impacts on asset quality and the Group's stance in reclassifying certain loans on a prudential baiss. In particular, the Group took a cautious stance towards sectors which have been affected to date (*e.g.*, energy and real estate) as well as segments (*e.g.*, retail and SME) which may have a trailing impact. Loans classified by the Bank as representing a significant increase in credit risk constituted 48% of the Stage 2 portfolio, whereas loans overdue and loans restructured constituted 7% and 45% of the total Stage 2 portfolio, respectively.

The increase Stage 2 and Stage 3 loans was mainly driven by the deterioration of asset quality, especially driven by NPL inflows from the corporate, SME and individual segments. Energy and real estate are the sectors that the Bank is most cautious about and constitute 12% and 3% of the Group's total consolidated loan portfolio as of 30 September 2019, respectively, while infrastructure and other construction, which the Group views as relatively less risky, constituted 11% of the total portfolio.

The Group has sought to apply a prudent approach to asset quality in terms of front loading provisions, especially for Stage 2 loans from the energy sector. Given the management's view that a potential increase in credit risk might arise due to the challenging operating environment and the risk that some loans could need to be restructured in the medium to long term, the Group increased its Stage 2 loans in the last two quarters of 2018, despite these particular loans not being restructured or past due. In 2019, as the Group expected, the economic environment remained stressed with an impact on Stage 2 loans. Many Stage 2 loans shifted from the "Significant Increase in Credit Risk" portfolio to the restructured portfolio.

As a result of the noted deterioration in asset quality due to the challenging operating environment and the Group's approach towards seeking to take provisions on a prudential basis, the total cost of risk (calculated as expected credit losses minus collections including specific provision reversals divided by total gross loans) increased to 2.62% (2.53% if adjusted for foreign exchange impact) in the nine months ended 30 September 2019 compared to 2.74% (2.56% if adjusted for foreign exchange impact) in 2018.

Other Operating Expenses (Including personnel expenses)

Other operating expenses for the nine months ended 30 September 2019 TL 2,787,582 thousand, an increase of 14.09% from TL 2,443,295 thousand for the nine months ended 30 September 2018. The increase for the nine months ended 30 September 2019 was below average inflation primarily due to controlled cost growth. As of 30 September 2019, the Bank had 854 branches (including 777 retail and SME branches, 21 private banking branches, 3 corporate branches and 46 commercial branches, one international banking branch, one free zone branch, one custody branch, one branch abroad and three satellite branches). The total number of the Group's employees decreased to 17,798 as of 30 September 2019, as compared to 18,448 as of 31 December 2018.

Analysis of Results of Operations for the Year Ended 31 December 2018 and 2017

The Group had net profit of TL 4,667,538 thousand in the year ended 31 December 2018 compared to net profit of TL 3,614,158 thousand for the previous year, an increase of 29.15%, which was primarily driven by increases in the Group's net interest income and net fees and commission income with controlled cost growth and prudent asset quality approach. The Group's cost to income ratio decreased to 33.4% for the year ended 31 December 2018 from 42.2% for the year ended 31 December 2017 driven by the Group's disciplined cost approach.

The table below summarises the Group's income statement for the year ended 31 December 2018 and 2017, the components of which are described in greater detail below:

	For the year ended 31 December		
	2018	**2017**	**% Change**
	(TL thousands)		
Income Statement Data			
Interest income	35,508,387	22,985,702	54.48%
Interest expense	(21,011,923)	(13,250,685)	58.57%
Net interest income	**14,496,464**	**9,735,017**	**48.91%**
Net fees and commissions income	4,236,344	3,315,309	27.00%
Dividend income	14,567	10,726	35.81%
Trading gain/(loss) (net)	(81,168)	(512,878)	(84.17%)
Other operating income	1,255,118	1,143,615	9.75%
Total operating income	**19,921,325**	**13,691,789**	**45.50%**
Allowances for Expected Credit Losses	(7,304,266)	(3,358,109)	117.51%
Other operating expenses(1)	(6,684,981)	(5,819,966)	14.86%
Net operating income/(loss)	**5,932,078**	**4,513,714**	**31.42%**
Profit/Loss from equity method applied subsidiaries/Income/(loss) from investments accounted based on equity method	115,817	87,612	32.19%
Profit/(loss) before taxes from continuing operations	**6,047,895**	**4,601,326**	**31.44%**
Tax provisions for continuing operations (±)	(1,380,357)	(987,168)	39.83%
Net profit/loss	**4,667,538**	**3,614,158**	**29.15%**
Minority interest profit/losses	**112**	**77**	**45.45%**
Group's profit/loss	**4,667,426**	**3,614,081**	**29.15%**

(1) Including personnel costs.

The following table provides certain of the Group's key ratios as of the dates and for the periods indicated:

	As of and for the year ended 31 December	
	2018	2017
	(%)	
Return on average shareholders' equity excluding minority interest(1)	14.2	13.6
Net interest margin(2)	4.5	3.5
Capital adequacy ratio	14.8	13.4
Cost to income(3)	33.4	42.2
Free capital ratio(4)	5.3	6.6
Non-performing loans to total cash loans(5)	5.3	4.3
Cost to average total assets(6)	1.9	2.0

Notes:

(1) Annualised return on average shareholders' equity excluding minority interest, calculated based on the average of shareholders' equity (less intangible assets) at the end of the current period and shareholders' equity (less intangible assets) at the end of the previous period.

(2) Net interest income divided by average interest earning assets (based on Bank-only).

(3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.

(4) Total shareholders' equity excluding investment in associates, property and equipment, intangible assets, tax assets, deferred income tax assets, other assets, (NPLs-provisions) divided by total assets.

(5) Total non-performing loans divided by total cash loans.

(6) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

Key ratios related to profit and loss items are compared on an annual basis.

Net Interest Income and Net Interest Margin

Based on the BRSA Financial Statements for the year ended 31 December 2018, the Group's net interest income was TL 14,496,464 thousand, an increase of 48.91% compared to TL 9,735,017 thousand for the year ended 31 December 2017. The Group's interest expense increased by 58.57% in the year ended 31 December 2018 as compared to the previous year, primarily driven by a 45% increase in interest expense on Turkish Lira deposits (which constitutes 53.7% of the Group's interest expense). This increase in interest expense was more than offset by an increase in interest income of 54.5% over the same period, primarily driven by a 36.7% increase in interest on loans also supported by the increase in interest received from marketable securities including CPI linkers.

The Group's interest income is primarily attributable to interest obtained from loans, which amounted to TL 25,681,345 thousand (72.32% of total interest income) for the year ended 31 December 2018, an increase of 42.51% compared to TL 18,020,957 thousand (78.40% of total interest income) for the previous year. The increase was mainly attributable to increasing yields due to the significantly rising interest rate environment. The Group's remaining interest income mainly derives from interest received from marketable securities, which amounted to TL 7,182,346 thousand (20.23% of the Group's total interest income) in the year ended 31 December 2018, an increase of 109% compared to TL 3,436,507 thousand (14.95% of the Group's total interest income) for the previous year. The increase was primarily due to the increase in the inflation assumption for valuation of CPI linkers as a result of significant increases in prevailing inflation levels in Turkey. As of 31 December 2018, the Bank's cumulative net interest margin (net interest income divided by average interest earning assets, Bank only) was 4.5%, which improved from 3.4% as of the same period of 2017. On a swap-adjusted basis, the Bank's net interest margin increased by 93 bps to 4.05% as of 31 December 2018 from 3.12% as of 31 December 2017.

As of 31 December 2018, the Group's revenue margin (on a consolidated basis) increased by 90 bps to 5.6%, as compared to 31 December 2017. The increase in net interest margin was mainly driven by the increase in loan yields due to the Bank's upward repricing efforts, which were also supported by an increase in interest income from securities. Such increase resulted mainly from increased income from CPI linkers driven by the increase in the inflation assumption for valuation of CPI linkers.

Net Fees and Commission Income

The Group's net fees and commission income for the year ended 31 December 2018 amounted to TL 4,236,344 thousand, an increase of 27.78% from TL 3,315,309 thousand for the year ended 31 December

2017. This increase was mainly driven by the Group's focus on managed top-line growth in fee and commission generating products.

As of 31 December 2018, of the total fees and commissions received by the Bank, 55% came from card payment systems (an increase of 41% compared to 31 December 2017, which was primarily the result of the increasing interest rate environment), 28% from lending related activity (an increase of 24% compared to 31 December 2017, which was primarily driven by a 24% year-over-year increase in fees from non-cash loans), 5% from bancassurance (which remained flat compared to 31 December 2017), 7% from money transfers (an increase of 57% compared to 31 December 2017), 2% from asset management fees (a decrease of 1% compared to 31 December 2017), 1% from account maintenance fees (a decrease of 2% compared to 31 December 2017) and 1% from brokerage fees (an increase of 16% compared to 31 December 2017).

Other Operating Income

Other operating income for the year ended 31 December 2018 was TL 1,255,118 thousand, an increase of 9.75% from TL 1,143,615 thousand for the year ended 31 December 2017.

Allowance for Expected Credit Losses

Allowance for expected credit losses for the year ended 31 December 2018 amounted to TL 7,112,841 thousand, an increase of 127% from TL 3,133,497 thousand for the year ended 31 December 2017. Loan loss provisions (specific and general) (expected credit losses under TFRS9) increased by 127% during the year ended 31 December 2018, while provisions for impairment of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost including other provision expense and cash and non-cash loan provision expense increased to TL 7,304,266 thousand. The increase in the generic loan loss provision is primarily due to an increase in Stage 2 loans and due to the Bank's prudent asset quality approach in reclassifying loans. Given the challenging Turkish macroeconomic conditions in the year ended 31 December 2018, the Group took a cautious stance towards asset quality, including sectors which have been affected to date as well as sectors (e.g. retail) which may have a trailing impact. This resulted in the Bank reclassifying some Stage 1 loans as Stage 2 loans (mainly energy and real estate loans) as a precautionary measure, although not required by risk models. The loans reclassified by the Bank that represented a significant increase in credit risk constituted 79% of the Stage 2 portfolio, whereas the loans that were overdue and the loans that were restructured represented 7% and 14% of the total Stage 2 portfolio respectively. The increase in specific provisions was mainly driven by the increase in NPLs as a result of the Group's proactive NPL reclassification strategy and of the deterioration in asset quality due to a challenging operating environment. Energy and real estate are the sectors that the Bank is most cautious about and constitute 12% and 3% of the Group's total consolidated loan portfolio as of 31 December 2018, respectively, while infrastructure and other construction, which the Group views as relatively less risky, constituted 11% of the total portfolio. Due to the Bank's cautious stance on classifying energy and real estate loans into Stage 2 loans, the Stage 2 ratios of energy and real estate were 41.8% (2.9 times of total loans) and 21.0% (1.5 times of the total loans), respectively, as of 31 December 2018. Similarly, due to the prudent asset quality approach, coverage of Stage 2 energy and real estate loans were 13.0% and 13.9%, respectively, as of the same period, both well above that of the total loan portfolio, which was at 11.2%.

The total cost of risk (calculated as expected credit losses – collections including specific provision reversals/total gross loans) adjusted for cheque provision reversals increased to 2.74% (2.56% if adjusted for foreign exchange impact) in the year ended 31 December 2018 compared to 1.06% in 2017, due to the Group's prudent and conservative approach towards asset quality in terms of NPL management and deterioration in asset quality due to the challenging operating environment.

Other Operating Expenses (Including personnel expenses)

Other operating expenses for the year ended 31 December 2018 were TL 6,684,981 thousand, an increase of 15% from TL 5,819,966 thousand for the year ended 31 December 2017. The increase for the year ended 31 December 2018 was primarily driven by an increase in salaries due to increases in the CPI inflation rate while non-HR costs were kept under control with an increase of 7% year-over-year due to disciplined management of costs. As of 31 December 2018, the Bank had 854 branches (including 776 retail and SME branches, 22 private banking branches, 3 corporate branches and 46 commercial branches, one international banking branch, one free zone branch, one custody branch, one branch abroad and 3 satellite branches). The total number of employees decreased to 18,448 as of 31 December 2018, as compared to 18,839 as of 31 December 2017.

Analysis of Results of Operations for the years ended 31 December 2017 and 2016

The following discussion of the Group's results of operations for the years ended 31 December 2017 and 2016 is based on information that has been extracted without material adjustment from the Annual BRSA Financial Statements. This information should be read in conjunction with the Annual BRSA Financial Statements and the notes thereto. See "*Presentation of Financial and Other Information*".

	For the year ended 31 December			Change
	2017	2017	2016	2017/2016
	(U.S.$, thousands)(1)	*(TL, thousands)*		(%)
Income statement data:				
Interest income	**6,307,024**	**22,985,702**	**19,109,871**	**1.20**
Interest on loans	4,944,753	18,020,957	15,684,097	1.15
Interest received from reserve deposits	64,197	233,964	118,632	1.97
Interest received from banks	90,792	330,887	174,287	1.90
Interest received from money market transactions	6,412	23,368	21,539	1.08
Interest received from marketable securities portfolio	942,940	3,436,507	2,400,058	1.43
Financial lease income	181,406	661,126	517,228	1.28
Other interest income	76,525	278,893	194,030	1.44
Interest expense	**(3,635,842)**	**(13,250,685)**	**(10,889,187)**	**1.22**
Interest on deposits	(2,644,652)	(9,638,329)	(7,867,050)	1.23
Interest on funds borrowed	(411,121)	(1,498,314)	(1,066,754)	1.40
Interest on expense on money market transactions	(226,249)	(824,556)	(956,350)	0.86
Interest on securities issued	(338,227)	(1,232,656)	(968,296)	1.27
Other interest expenses	(15,594)	(56,830)	(30,737)	1.85
Net interest income	**2,671,182**	**9,735,017**	**8,220,684**	**1.18**
Net fees and commissions income	**909,684**	**3,315,309**	**2,972,884**	**1.12**
Fees and commissions received	1,166,269	4,250,423	3,732,653	1.14
Non cash loans	155,030	565,000	476,738	1.19
Other	1,011,240	3,685,423	3,255,915	1.13
Fees and commissions paid	(256,585)	(935,114)	(759,769)	1.23
Non cash loans	(5,973)	(21,767)	(11,597)	1.88
Other	(250,612)	(913,347)	(748,172)	1.22
Dividend income	**2,943**	**10,726**	**6,173**	**1.74**
Trading gain/(loss) (net)	**(140,728)**	**(512,878)**	**187,323**	**2.74**
Trading gain/(losses) on securities	15,456	56,327	17,548	3.21
Derivative financial transactions gains/ (losses)	(275,558)	(1,004,260)	(55,683)	18.04
Foreign exchange gains/(losses)	119,374	435,055	225,458	1.93
Other operating income	**313,795**	**1,143,615**	**550,841**	**2.08**
Total operating income/(loss)	**3,756,876**	**13,691,789**	**11,937,905**	**1.15**
Provision for impairment of loans and other receivables	**(921,428)**	**(3,358,109)**	**(2,955,042)**	**1.14**
Other operating expenses	**(1,596,935)**	**(5,819,966)**	**(5,315,318)**	**1.09**
Net operating income/(loss)	**1,238,514**	**4,513,714**	**3,667,545**	**1.23**
Income/(loss) from investments accounted based on equity method	**24,040**	**87,612**	**85,361**	**1.03**
Tax provisions for continuing operations	**(270,868)**	**(987,168)**	**(820,046)**	**1.20**
Current tax provision	(302,059)	(1,100,842)	(658,037)	1.67
Deferred tax provision	31,191	113,674	(162,009)	0.70
Net profit/(loss) from continuing operations	**991,685**	**3,614,158**	**2,932,860**	**1.23**
Net profit/(loss) from discontinued operations	—	—	—	
Net profit/(loss)	**991,685**	**3,614,158**	**2,932,860**	**1.23**

Note:

(1) For the convenience of reader, these figures have been translated into U.S. dollars at the average rate of TL 3.018 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the year ended 31 December 2017. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

The following table provides certain of the Group's key ratios as of and for the years ended 31 December 2017 and 2016. The basis for calculation of ratios that are non-GAAP financial measures is set out in the notes below. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. See "*Presentation of Financial and Other Information—Non-GAAP Measures of Financial Performance*".

	As of and for the year ended 31 December	
	2017	2016
	(%)	
Return on average shareholders' equity excluding minority interest(1)	13.6	12.7
Net interest margin(2)	3.5	3.4
Capital adequacy ratio	13.4	13.2
Cost to income(3)	42.2	44.2
Free capital ratio(4)	6.6	7.8
Non-performing loans to total cash loans(5)	4.3	4.8
Cost to average total assets(6)	2.0	2.1

Notes:

(1) Annualised return on average shareholders' equity excluding minority interest, calculated based on the average of shareholders' equity (less intangible assets) at the end of the current period and shareholders' equity (less intangible assets) at the end of the previous period.

(2) Net interest income divided by average interest earning assets (based on Bank-only).

(3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.

(4) Total shareholders' equity excluding investment in associates, property and equipment, intangible assets, tax assets, deferred income tax assets, other assets, (NPLs-provisions) divided by total assets.

(5) Total non-performing loans divided by total cash loans.

(6) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

Key ratios related to profit and loss items are compared on an annual basis.

Net Interest Income and Net Interest Margin

The Group's net interest income was TL 9,735,017 thousand (U.S.$ 2,580,932 thousand) for the year ended 31 December 2017, an increase of 18% compared to TL 8,220,684 thousand for the year ended 31 December 2016. The Group's interest income increased by TL 3,875,831 thousand, or 20%, to TL 22,985,702 thousand for the year ended 31 December 2017 as compared to TL 19,109,871 thousand for the same period in the previous year. Interest expenses increased by 22%, as compared with 31 December 2016, primarily impacted by increasing Turkish Lira deposit costs. The Bank's net interest margin increased by 20 bps to 3.5% for the year ended 31 December 2017, compared with the year ended 31 December 2016, supported by higher loan-deposit spreads and CPI-linkers income. The Bank utilises swap transactions to manage liquidity and hedge against both foreign currency open positions and duration mismatch. With the inclusion of negative interest expense from swap transactions (which are recorded under trading gains and losses based on the local regulations), the Bank's net interest margin declined by 20 bps to 3.1% as of 31 December 2017 compared to 31 December 2016. On a consolidated basis, swap costs were TL 752 million as of 31 December 2017 versus TL 85 million as of 31 December 2016.

Interest Income

The Group's interest income is primarily derived from interest on loans and the Group's marketable securities portfolio. The Group's interest income increased by TL 3,875,831 thousand, or 20%, to TL 22,985,702 thousand for the year ended 31 December 2017, compared to TL 19,109,871 thousand for the year ended 31 December 2016. In the year ended 31 December 2017, the Group continued its loan growth with a remix towards value generating products.

Interest income on loans increased to TL 18,020,957 thousand and constituted 78% of total interest income for the year ended 31 December 2017, compared to TL 15,684,097 thousand for the year ended 31 December 2016, when it constituted 82% of total interest income.

Interest received from the Group's marketable securities portfolio increased by 43% to TL 3,436,507 thousand and constituted 15% of total interest income for the year ended 31 December 2017, compared to TL 2,400,058 thousand for the year ended 31 December 2016, when it constituted 12.56% of total interest income.

In 2017, the Bank started to calculate the CPI-linker valuation using the expected inflation rate accounting method, similar to the calculation methodology used by its private bank peers, in order to minimise volatility in the Group's net income caused by fluctuations in quarterly CPI-linker income. Prior to 1 January 2017, the Bank accounted for CPI-linkers based on monthly inflation realizations using the inflation rate announced two months prior to the calculation.

The Bank's marketable securities portfolio is largely available for sale ("**AFS**"). The total number of securities classified as AFS increased to 63% as at 31 December 2017, compared with 61% as of 31 December 2016. Interest received from the Group's marketable securities portfolio also increased compared to the same period for the previous year.

The Bank's marketable securities portfolio is largely available for sale ("**AFS**"). The total number of securities classified as AFS increased to 63% as at 31 December 2017, compared with 61% as of 31 December 2016. Interest received from the Group's marketable securities portfolio also increased compared to the same period for the previous year.

The following table sets out the weighted average interest rates on financial instruments by major currency outstanding as of 31 December 2017 and 2016:

	As of 31 December					
	2017			2016		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Assets						
Cash and balances with Central Bank	1.5	-	9.98	0.49	-	3.31
Loans	6.43	4.33	14.15	5.9	4.16	13.17
Financial assets at fair value through profit/loss	5.36	2.59	12.32	3.69	3.06	9.92
Investment securities						
– Available for sale assets	5.32	4.02	14.15	5.46	4.31	13.17
– Held to maturity investments	5.35	1.67	13.35	5.4	2.97	9.46

The overall interest rates on the Bank's Turkish Lira denominated interest earning assets increased as of 31 December 2017 as compared with 31 December 2016. Although there were also general increases in the interest rates payable on the Bank's foreign currency interest earning assets (particularly those denominated in U.S. dollars), due to the longer term structure of these loans compared to the Turkish Lira denominated ones, the impact was limited. Loans in foreign currencies totalled TL 73,884,539 thousand (U.S.$ 19,588,149 thousand) as of 31 December 2017, accounting for 36.58% of the Group's loan portfolio, compared to TL 70,670,205 thousand (U.S.$20,081,327 thousand) as of 31 December 2016, where they accounted for 39.55% of the Group's loan portfolio.

Interest Expense

The Group's interest expenses for the year ended 31 December 2017 increased by TL 2,361,498 thousand, or 22%, to TL 13,250,685 thousand (U.S.$ 3,513,000 thousand) from TL 10,889,187 thousand (U.S.$ 3,094,222 thousand) for the year ended 31 December 2016, due to increased volume of deposits.

The following table further sets out the weighted average interest rates for financial instruments by major currency as at 31 December 2017 and 2016:

	As of 31 December					
	2017			2016		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Liabilities						
Deposits	1.66	0.96	13.00	1.65	0.85	11.12
Other deposits	3.41	1.59	13.42	2.87	1.55	10.74
Expenses on money market transactions	2.85	0.47	13.01	1.18	0.21	8.50
Marketable securities issued	4.66	1.77	14.00	4.45	2.14	8.00
Funds borrowed	3.07	1.51	8.16	2.38	1.24	9.48

Changes in interest rates on interest bearing liabilities are the most significant factor on the Group's interest expense. Deposits make up the largest part of the Group's interest bearing liabilities representing 61.13% and 65.53% as of 31 December 2017 and 2016, respectively, and as a result changes in interest rates on deposits are most likely to have a significant effect on the Group's interest expense.

The interest rates on Turkish Lira denominated deposits from banks and customers increased to 13.00% and 13.42%, respectively, as of 31 December 2017, from 11.12% and 10.74%, respectively, as of 31 December 2016, mainly due to the decision of the Central Bank of Turkey to increase interest rates and due to intensified competition. As a result of the increase in the funding costs in the year ended 31 December 2017, the Group's interest expense increased, which was compensated by the active loan repricing efforts as well as the increase in the securities yields. All elements included the net interest margin improved as of year ended 31 December 2017, when compared to the year ended 31 December 2016.

As of 31 December 2017, 56.24% of the Group's deposits, or TL 97,502,290 thousand (U.S.$ 25,849,649 thousand), were denominated in foreign currencies, with the remaining 43.76%, or TL 75,881,343 thousand (U.S.$ 20,117,538 thousand), denominated in Turkish Lira, including interest expense accrual.

Historically, interest expenses on deposits from banks and other borrowed funds have represented a relatively small percentage of the Group's total interest expenses because the Group has not relied on these as a principal source of its funding, although the Group is increasing this component to access longer term funding (principally Eurobonds) to address the maturity gap frequently encountered by Turkish banks.

Net Fees and Commissions Income

The Group's net fees and commission income for the year ended 31 December 2017 amounted to TL 3,315,309 thousand (U.S.$ 878,949 thousand), an increase of 12% from TL 2,972,884 thousand for the year ended 31 December 2016. This increase was mainly driven by lending related fees and fees related to the Group's credit card business. As of 31 December 2017, of the total fees and commissions received by the Bank, 52% comes from card payment systems (an increase of 13% compared to 31 December 2016), 30% from lending related activities (an increase of 9% compared to 31 December 2016), 2% from asset management (an increase of 15% compared to 31 December 2016), 7% from insurance (an increase of 36% compared to 31 December 2016), 6% from money transfer (an increase of 22% compared to 31 December 2016) and 3% from other sources including account maintenance, equity trading, campaign fees, other product-related fees.

Trading Gain/(Loss) (Net)

The Group recorded a trading loss (comprising the aggregate of trading gains) on securities, derivative financial transactions losses and foreign exchange losses of TL 512,878 thousand (U.S.$ 135,973 thousand) for the year ended 31 December 2017, compared to a trading gain of TL 187,323 thousand for the year ended 31 December 2016.

Trading gains on securities increased by TL 38,779 thousand or 220%, to TL 56,327 thousand (U.S.$ 14,933 thousand), in the year ended 31 December 2017, from TL 17,548 thousand for the year ended 31 December 2016 due to the effective utilisation of gains arising from the securities.

Derivative financial transaction loss increased by TL 948,577 thousand (U.S.$251,485 thousand), to TL 1,004,260 thousand in the year ended 31 December 2017, from losses of TL 55,683 thousand for the year ended 31 December 2016. This decrease was due to increasing swap costs mainly due to the increase in local currency interest rates.

The Group also recorded foreign exchange gains of TL 435,055 thousand (U.S.$ 115,341 thousand) for the year ended 31 December 2017, compared to foreign exchange gains of TL 225,458 thousand for the year ended 31 December 2016 due to the volatility of the Lira versus the U.S. dollar and Euro.

Other Operating Income

The Group's other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets. Other operating income increased by TL 592,774 thousand, or 107% to TL 1,143,615 thousand (U.S.$ 303,193 thousand) for the year ended 31 December 2017, from TL 550,841 thousand for the year ended 31 December 2016. The increase in other operating income was primarily as a result of strong collections.

Provision for Impairment of Loans and Other Receivables

Provision for impairment of loans and other receivables was TL 3,358,109 thousand (U.S.$890,296 thousand) for the year ended 31 December 2017. Due to a revision on accounting treatment of collections as of the year ended 31 December 2017, this figure is not comparable with that for the same period of 2016. The quarterly total cost of risk (calculated as total loan loss provisions less collections, divided by total gross loans) decreased to 1.07% in the year ended 31 December 2017 as compared to 1.37% in the same period in 2016, supported by a slowdown in net new NPL formation. During the same period, the cumulative specific cost of risk (calculated as specific provisions less collections divided by total gross loans) decreased to 0.92% in the year ended 31 December 2017 as compared to 1.11% for the same period in 2016.

In the year ended 31 December 2017, the Bank increased specific and generic coverage levels. Specific provisions as a percentage of non-performing loans increased by 77% compared to 2016 year-end, while total coverage (calculated as specific and generic provisions (for cash loans) divided by non-performing loans) for the year ended 31 December 2017 realised at 113%. During the same period, generic provisions (for cash loans) as a percentage of performing loans ratio moved from 1.56% to 1.48%.

The Bank's ratio of NPLs to total loans decreased to 4.4% as of 31 December 2017 from 4.8% as of 31 December 2016, a result of a combination of the slowdown in NPL inflows and the positive impact of the NPL sales. See "*Selected Statistical and Other Information—Loan Portfolio*" for a description of the NPL sales. The NPL ratio in the Bank's credit card portfolio was 5.7% as of 31 December 2017, as compared with 7.0% as of 31 December 2016 with the positive impact of NPL sales on the consumer and card portfolios. The NPL ratio in consumer loans decreased to 4.9% as of 31 December 2017, from 6.5% as of 31 December 2016. In corporate and commercial loans, the Bank's NPL ratio decreased to 2.5% as of 31 December 2017 from 2.4% as of 31 December 2016.

By 31 December 2017, the Group had restructured loans in an aggregate amount of TL 2,390,665 thousand, corresponding to 1.1% of the Bank's aggregate loan portfolio (1.4% as of 31 December 2016). Of the aggregate amount, 22% were credit card and individual loans. As at 31 December 2017, the Group's watch loan ratio was 2.6%, compared to its level of 3.2% as at 31 December 2016, due to the Bank's conservative approach on restructuring.

Other Operating Expenses

The cost to income ratio of the Group was 42% and 44% for the years ended 31 December 2017 and 2016, respectively. Other operating expenses for the year ended 31 December 2017 were TL 5,819,966 thousand (U.S.$ 1,542,979 thousand), an increase of 9.4% from TL3,667,545 thousand for the year ended 31 December 2016.

As of 31 December 2017, the Bank had 866 branches (including 787 retail branches, 22 private banking branches, 3 corporate branches and 47 commercial branches, 1 international branch, 1 free zone branch, 1 overseas branch, 1 custody branch and 3 mobile branches), compared to a total of 931 branches as of 31 December 2016. The total number of employees increased to 18,839 as of 31 December 2017, as compared to 19,419 as of 31 December 2016.

Net Operating Income/(Loss)

Net operating income, comprised of operating income less other operating expense and provision for impairment of loans and other receivables, increased by TL 504,648 thousand, or 23%, to TL 4,513,714 thousand (U.S.$ 1,196,668 thousand) for the year ended 31 December 2017, from TL 5,315,318 thousand for the year ended 31 December 2016.

Tax Provision for Continuing Obligations

Tax provision for continuing obligations increased by TL 167,122 thousand, or 20%, to TL 987,168 thousand (U.S.$261,716 thousand) for the year ended 31 December 2017, from TL 820,046 thousand for the year ended 31 December 2016.

Under the Corporate Tax Law 5520, the applicable corporate tax rate was 20% for 2017, 2016 and 2015. Corporate tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain deductible and non-deductible expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed by the 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in a single instalment until the end of the month in which the tax return is to be filed. An omnibus tax law has been approved by the Grand National Assembly of Turkey on 28 November 2017, and published in the Official Gazette dated 5 December 2017 numbered 30261 (the "**Law No. 7061**"). The Law No. 7061, has among others, increased the corporate tax rate to 22% for the years 2018, 2019 and 2020.

Net Profit/(Loss)

The Group's net profit increased by TL 681,298 thousand, or 23%, to TL 3,614,158 thousand (U.S.$ 958,180 thousand) for the year ended 31 December 2017, from TL 2,932,860 thousand for the year ended 31 December 2016.

Average shareholders' equity (excluding minority interest) is calculated by adding the quarterly consolidated BRSA shareholders' equity amounts (excluding minority interest) and the current year's profit from the beginning of the period (including last year) until the end of the period and dividing the total by the number of periods.

The Group's return on average shareholders' equity, excluding minority interest, was 13.6% and 12.8% for the year ended 31 December 2017 and 31 December 2016, respectively.

Analysis by Segment

The Group carries out its banking operations through three main business units: (a) retail banking (including credit cards, individual and SME banking), (b) corporate and commercial banking, and (c) private banking and wealth management. The Group also has foreign and other operations.

The following tables set forth certain data for the Group's segments for the nine month periods ended 30 September 2019 and 2018, and the years ended 31 December 2018, 2017 and 2016:

	Nine month period ended 30 September 2019						
	Retail Banking	**Corporate and Commercial Banking**	**Other Foreign Operations**	**Other Domestic Operations**	**Treasury, Asset Liability Management and Other**	**Consolidation Adjustments[(1)]**	**Total**
				(TL, thousands)			
Operating revenue continuing	7,207,699	7,719,205	286,407	828,293	(678,267)	(3,791)	15,359,546
Operating expenses continuing	(5,126,869)	(3,300,033)	(129,879)	(306,226)	(2,446,872)	3,791	(11,306,088)
Net operating income continuing	**2,080,830**	**4,419,172**	**156,528**	**522,067**	**(3,125,139)**	—	**4,053,458**
Dividend income[(2)]	—	—	—	—	15,840	—	15,840
Income/loss from investments accounted based on equity method	—	—	—	—	68,211	—	68,211
Profit before tax	**2,080,830**	**4,419,172**	**156,528**	**522,067**	**(3,041,088)**	**4,137,509**	**2,080,830**
Tax expense[(2)]	-	-	-	-	(800,671)	(800,671)	-
Net period income from continuing operations	**2,080,830**	**4,419,172**	**156,528**	**522,067**	**(3,841,759)**	**3,336,838**	**2,080,830**
Minority interest (-)	—	—	—	—	(98)	—	(98)
Net period income from discontinued operations	—	—	—	—	—	—	—
Group income/loss	**2,080,830**	**4,419,172**	**156,528**	**522,067**	**(3,841,857)**	**3,336,740**	**2,080,830**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset Liability Management and Other".

	Nine month period ended 30 September 2018						
	Retail Banking	**Corporate and Commercial Banking**	**Other Foreign Operations**	**Other Domestic Operations**	**Treasury, Asset Liability Management and Other**	**Consolidation Adjustments[(1)]**	**Total**
				(TL, thousands)			
Operating revenue continuing	5,937,538	4,992,106	293,116	738,565	2,564,783	14,520,608	5,937,538
Operating expenses continuing	(3,640,395)	(3,343,245)	(107,442)	(248,993)	(2,691,836)	(10,026,411)	(3,640,395)
Net operating income continuing	**2,297,143**	**1,648,861**	**185,674**	**489,572**	**(127,053)**	**4,494,197**	**2,297,143**
Dividend income[(2)]	—	—	—	—	12,753	12,753	-
Income/loss from investments accounted based on equity method	—	—	—	—	83,930	83,930	-
Profit before tax	**2,297,143**	**1,648,861**	**185,674**	**489,572**	**(30,370)**	**4,590,880**	**2,297,143**
Tax expense[(2)]	-	-	-	-	(1,004,533)	(1,004,533)	-
Net period income from continuing operations	**2,297,143**	**1,648,861**	**185,674**	**489,572**	**(1,034,903)**	**3,586,347**	**2,297,143**
Minority interest (-)	—	—	—	—	(93)	(93)	—
Net period income from discontinued operations	—	—	—	—	—	—	—
Group income/loss	**2,297,143**	**1,648,861**	**185,674**	**489,572**	**(1,034,996)**	**3,586,254**	**2,297,143**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset Liability Management and Other".

	31 December 2018							
	Retail Banking	**Corporate and Commercial Banking**	**Private Banking and Wealth Management**	**Other Foreign Operations**	**Other Domestic Operations**	**Treasury, Asset Liability Management and Other**	**Consolidation Adjustments[(1)]**	**Total**
	(TL, thousands)							
Operating revenue continuing	8,141,407	6,573,989	385,713	1,008,084	8,141,407	3,806,771	(9,206)	19,906,758
Operating expenses continuing	(5,278,402)	(5,225,362)	(157,034)	(392,913)	(5,278,402)	(2,944,742)	9,206	(13,989,247)
Net operating income continuing	**2,863,005**	**1,348,627**	**228,679**	**615,171**	**2,863,005**	**862,029**	**-**	**5,917,511**
Dividend income[(2)]	—	—	—	—	—	14,567	-	14,567
Income/loss from investments accounted based on equity method	—	—	—	—	—	115,817	-	115,817
Profit before tax	**2,863,005**	**1,348,627**	**228,679**	**615,171**	**2,863,005**	**992,413**	**-**	**6,047,895**
Tax expense[(2)]	-	-	-	-	-	(1,380,357)	-	(1,380,357)
Net period income from continuing operations	**2,863,005**	**1,348,627**	**228,679**	**615,171**	**2,863,005**	**(387,944)**	**-**	**4,667,538**
Minority interest (-)	—	—	—	—	—	(112)	-	(112)
Net period income from discontinued operations	—	—	—	—	—	—	—	—
Group income/loss	**2,863,005**	**1,348,627**	**228,679**	**615,171**	**2,863,005**	**(388,056)**	**-**	**4,667,426**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset Liability Management and Other".

	31 December 2017							
	Retail Banking	**Corporate and Commercial Banking**	**Private Banking and Wealth Management**	**Other Foreign Operations**	**Other Domestic Operations**	**Treasury, Asset Liability Management and Other**	**Consolidation Adjustments(1)**	**Total**
				(TL, thousands)				
Operating revenue continuing	4,579,996	3,191,097	283,198	314,472	703,199	4,616,185	(7,084)	13,681,063
Operating expenses continuing	(4,482,210)	(1,105,333)	(111,165)	(132,915)	(278,224)	(3,075,445)	7,217	(9,178,075)
Net operating income continuing	**97,786**	**2,085,764**	**172,033**	**181,557**	**424,975**	**1,540,740**	**133**	**4,502,988**
Dividend income(2)	—	—	—	—	—	10,726	—	10,726
Income/loss from investments accounted based on equity method	—	—	—	—	—	87,612	—	87,612
Profit before tax	**97,786**	**2,085,764**	**172,033**	**181,557**	**424,975**	**1,639,078**	**133**	**4,601,326**
Tax expense(2)	—	—	—	—	—	**(987,168)**	—	**(987,168)**
Net period income from continuing operations	**97,786**	**2,085,764**	**172,033**	**181,557**	**424,975**	**651,910**	**133**	**3,614,158**
Minority interest (-)	—	—	—	—	—	(77)	—	(77)
Net period income from discontinued operations	—	—	—	—	—	—	—	—
Group income/loss	**97,786**	**2,085,764**	**172,033**	**181,557**	**424,975**	**651,833**	**133**	**3,614,081**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset Liability Management and Other".

	31 December 2016							
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Other Foreign Operations	Other Domestic Operations	Treasury, Asset Liability Management and Other	Consolidation Adjustments(1)	Total
	(TL, thousands)							
Operating revenue continuing	4,353,372	2,806,216	236,421	258,880	591,474	3,693,209	(6,840)	11,931,732
Operating expenses continuing	(4,331,137)	(1,020,631)	(102,516)	(123,775)	(233,340)	(2,465,801)	6,840	(8,270,360)
Net operating income continuing	**21,235**	**1,785,585**	**133,905**	**135,105**	**358,134**	**1,227,408**	**—**	**3,661,372**
Dividend income(2)	—	—	—	—	—	6,173	—	6,173
Income/loss from investments accounted based on equity method	—	—	—	—	—	85,361	—	85,361
Profit before tax	**21,235**	**1,785,585**	**133,905**	**135,105**	**358,134**	**1,318,942**	**—**	**3,752,906**
Tax expense(2)	—	—	—	—	—	(820,046)	—	(820,046)
Net period income from continuing operations	**21,235**	**1,785,585**	**133,905**	**135,105**	**358,134**	**498,896**	**—**	**2,932,860**
Minority interest (-)	—	—	—	—	—	(65)	—	(65)
Net period income from discontinued operations	—	—	—	—	—	—	—	—
Group income/loss	**21,235**	**1,785,585**	**133,905**	**135,105**	**358,134**	**498,831**	—	**2,932,795**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset Liability Management and Other".

Retail Banking

Retail banking products and services offered to customers include credit cards, consumer loans (including general purpose loans, auto loans and mortgages), SME loans, time and demand deposits, investment accounts, life and non life insurance products and payroll services. Credit card operations cover the management of products and services for member merchants as well as the sales and marketing operations for a variety of customer types. Operating profit for the retail banking segment calculated in accordance with TFRS 9 decreased to TL 2,080,830 thousand (U.S.$369,345 thousand) or -9.42% for nine months ended 30 September 2019, from TL 513,386 thousand for the same period in 2018. The increase resulted primarily from increasing rate environment as well as focus on granularity and reducing concentration in terms of loans and deposits. Operating profit for the segment increased by TL 2,863,005 thousand (U.S.$592,739 thousand) or 961% for the year ended 31 December 2018, from TL 269,819 thousand for the same period in 2017. Calculated under TAS 39, operating profit for the segment increased by TL 76,551 thousand (U.S.$ 20,295 thousand) or 360% for the year ended 31 December 2017, from TL 21,235 thousand for the same period in 2016. Operating profit for the segment decreased by TL 436,029 thousand (U.S.$123,900 thousand) or 95% for the year ended 31 December 2016, primarily due to regulatory changes, particularly in account maintenance fees and general provisions.

In December 2016, the Turkish government announced that the Undersecretariat of Treasury would provide a guarantee for SME loans up to an aggregate amount of TL 250 billion under the Credit Guarantee Fund ("**CGF**") 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. See *"Business of the Bank—Retail Banking—Business Banking, Small Enterprises and Medium Enterprises"*. CGF loans have been a significant driver of loan growth, particularly during periods of weaker demand and challenging economic conditions. As of 30 September 2019, loans under the CGF programme constituted 7% of total performing loans. The Bank's CGF utilisation is approximately TL 31.5 billion as of 30 September 2019 (with stock at TL 15.8 billion).

Corporate and Commercial Banking

The Corporate and Commercial Banking segment is organised into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and International & Multinational Companies Banking for multinational companies. The primary business lines in the commercial banking segment are working capital, financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management and e-banking services to mid-size and large corporates.

Net operating income for the corporate and commercial banking segment increased to TL 4,419,172 thousand for the nine months ended 30 September 2019 from TL 1,648,861 thousand for the nine months ended 30 September 2018, primarily attributable to 10% growth in cash loans. Net operating income for the segment increased to TL 6,318,472 thousand for the year ended 31 December 2018, from TL 3,816,064 thousand for the year ended 31 December 2017, primarily attributable to growth in non-interest income, including increased cash and non-cash loan commissions. Net operating income for the segment increased to TL 3,816,064 thousand for the year ended 31 December 2017, from TL 1,785,585 thousand for the year ended 31 December 2016, primarily attributable to growth in non-interest income, including increased cash and non-cash loan commissions.

Private Banking and Wealth Management

Through its private banking and wealth management activities, the Group serves high net worth individuals and delivers investment products to its customer segment. Among the products and services offered to private banking customers are time deposits, fund deposits, mutual funds, managed fund accounts derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, safe deposit boxes and e-banking services. The Group also provides investment advisory and portfolio management services through the Group's portfolio management and brokerage subsidiaries. The Group also previously provided pension plans and insurance products, but completed a transaction to sell this business to Allianz in 2014. See "*Business of the Bank—Associates—Yapı Kredi Insurance (Yapı Kredi Sigorta) and Yapı Kredi Pension (Yapı Kredi Emeklilik)*".

Operating profit for the private banking segment increased to TL 326,318 thousand (U.S.$57,183 thousand) for the nine months ended 30 September 2019, from TL 217,929 thousand for the nine months ended 30 September 2018. Operating profit for the segment increased to TL 293,205 thousand (U.S.$50,368 thousand) for the year ended 31 December 2018, from TL 171,791 thousand for the year ended 31 December 2017. Operating profit for the segment increased to TL 171,791 thousand (U.S.$47,137 thousand) for the year ended 31 December 2017, from TL 133,905 thousand for the year ended 31 December 2016. The increase across all periods was driven primarily by the Bank's asset focus and asset allocation approach, as well as by intensified communication efforts both with customers and with the sales team.

Foreign Operations

Foreign operations include the Group's banking operations in the Netherlands, Azerbaijan and Malta. Operating profit for the foreign operations segment decreased to TL 156,528 thousand (U.S.$27,784 thousand) for the nine months ended 30 September 2019, from TL 185,674 thousand for the nine months ended 30 September 2018. Operating profit for the segment amounted to TL 228,679 thousand (U.S.$55,966 thousand) for the year ended 31 December 2018, compared to TL 181,557 thousand for the same period in 2017 and TL 135,105 for the same period in 2016.

Other Domestic Operations

Other operations mainly consist of treasury transactions of supporting business units, insurance operations and other unallocated transactions, including the effect of free capital. Operating profit for the other domestic operations segment increased to TL 522,067 thousand (U.S.$92,666 thousand) for the nine months ended 30 September 2019, from TL 489,572 thousand for the nine months ended 30 September 2018, largely as a result of an increase in the interest income generation of domestic subsidiaries. Operating profit for the segment increased to TL 615,171 thousand (U.S.$150,555 thousand) for the year ended 31 December 2018, from TL 424,975 thousand for the year ended 31 December 2017. Operating profit for the segment increased to TL 424,975 thousand (U.S.$116,608 thousand) for the year ended 31 December 2017, from TL 358,134 thousand for the year ended 31 December 2016, largely as a result of a higher interest rate environment, higher inflation and a weaker Turkish Lira.

Treasury, Asset-Liability Management and Other

The Treasury, asset liability management and other segment mainly consists of treasury and asset liability management activities of the Group. Operating profit for the treasury, asset liability management and other segment decreased by 271.20% to TL (3,841,857) thousand (U.S.$(681,926) thousand) for the nine months ended 30 September 2019, from TL (1,034,996) thousand for the nine months ended 30 September 2018. Operating profit for the segment decreased by 159.53% to TL (388,056) thousand (U.S.$(80,341) thousand) for the year ended 31 December 2018, from TL 651,833 thousand for the year ended 31 December 2017, an increase of 31% TL 498,831 thousand (U.S.$141,746 thousand) for the year ended 31 December 2016. The increase in September 2019 was mainly attributable to mark-to-market gains from derivatives, and Treasury activities.

Financial Condition

The table below sets forth the components of the Group's balance sheet data as of 30 September 2019 and 31 December 2018:

	30 September 2019	31 December 2018
	(TL thousands)	
Balance Sheet Data		
Cash and balances with Central Bank	46,889,416	56,831,308
Banks	27,579,781	5,269,640
Loans	238,505,213	233,134,994
Receivables From Leasing Transactions (Net)	10,853,028	12,775,463
Factoring Receivables	3,077,966	3,589,067
Financial assets at fair value through profit or loss	653,587	248,156
Financial assets at fair value through other comprehensive income	26,500,797	26,883,680
Financial assets measured at amortised cost	27,231,440	22,805,679
Others	15,568,856	11,838,267
Total assets	**396,860,084**	**373,376,254**
Deposits	218,488,148	210,291,473
Loans Received / Funds borrowed	44,392,488	47,072,002
Others	93,768,489	77,005,501
Shareholders' equity	**40,210,959**	**39,007,278**
Total Liabilities and shareholders' equity	**396,860,084**	**373,376,254**

Total Assets

The Group had total assets of TL 396,860,084 thousand as of 30 September 2019, an increase of 6.29% as compared to 31 December 2018. The largest share of the increase in total assets in the nine months ended 30 September 2019 came from Banks which increased 423.37% to TL 27,579,781 thousand as of 30 September 2019 from TL 5,269,640 thousand as of 31 December 2018, mainly due to the increase in balances with Banks due to a significant increase in liquidity as a result of muted loan demand. Additionally, a large portion of the increase came from total loans and receivables, which increased 1.18% to TL 252,436,207 thousand as of 30 September 2019 from TL 249,499,524 thousand as of 31 December 2018. This increase in total loans was mainly due to an increase in Turkish Lira loans driven by increased CGF lending in the nine months ended 30 September 2019, with other demand being quite limited. The total utilization of CGF in 2019 reached TL 10.2 billion. Loans and receivables comprised 63.61% of total assets as of 30 September 2019, as compared to 66.82% as of 31 December 2018. Turkish Lira loans increased by 7.32% as compared to 31 December 2018, whereas foreign exchange loans decreased by 4.47% in U.S. dollar terms. Total cash loans increased by 0.45% as compared to 31 December 2018, mainly driven by TL originations supported by the utilization of of Credit Guarantee Fund mainly in the first half of 2019. As of 30 September 2019, the breakdown of total loans by sector was as follows: 30% from retail (compared to 26% as of 31 December 2018), 2% from financial institutions (compared to 2% as of 31 December 2018), 7% from export related loans (compared to 7% as of 31 December 2018), 41% from business loans (compared to 48% as of 31 December 2018) and 20% from other loans and receivables (compared to 18% as of 31 December 2018).

The Bank's intra-group cash exposure in total cash loans as of 30 September 2019 was 10.5% of the total capital base (as compared to the maximum regulatory limit of 20%). In addition, the top 20 loans accounted for 15.2% of the total loan book.

The percentage of non-performing loans to gross loans increased to 6.7% as of 30 September 2019 from 5.3% as of 31 December 2018 due to asset quality worsening. Excluding the NPL sales of TL 2,641,528 thousand in the nine months ended 30 September 2019 and of TL 2,015,868 thousand in 2018, the percentage of non-performing loans to gross loans would have increased to 7.6% as of 30 September 2019 from 6.1% as of 31 December 2018. The specific coverage on non-performing loans without considering collaterals decreased to 64% as of 30 September 2019 mainly due to fully covered NPL sales as well as new inflows with higher collaterals within the period versus its level at 72% on 31 December 2018. If generic provisions for cash loans were also included, total coverage on non-performing loans would have been at 97% as of 30 September 2019, as compared to 110% as of 31 December 2018. Total cost of risk (calculated as total loan loss provisions – collections including specific provision reversals/total gross loans) decreased to 2.53% as of 30

September 2019, from 2.56% as of 31 December 2018, primarily driven by strong collections and up-fronted provisions in 2018 as well as a couple of big tickets classified as NPLs within the nine months ended 30 September 2019.

The Group's total securities (comprising financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost) increased 8.91% to TL 54,385,824 thousand as of 30 September 2019 from TL 49,937,515 thousand as of 31 December 2018, primarily due to an increase in government debt securities under financial assets measured at amortised cost. The mix of securities was approximately 28% foreign currency (virtually all fixed rate) and 72% Turkish Lira of which approximately 34% were fixed rate, 6% were floating rate and 60% were CPI linkers. The percentage of securities in total assets remained stable at 14% for the same period.

The Group uses an internal managerial metric, value at risk ("**VaR**"), to simulate its potential economic loss. VaR represents the total balance sheet's potential loss in value over one day for a 99% confidence interval. Since 26 March 2019, the Group has observed an increase in VaR due to increased historical volatility embedded in the VaR scenarios. Despite this increase, there were no breaches of any regulatory requirements or Risk Appetite Framework metrics.

Total Liabilities and Shareholders' Equity

On the liability side, deposits increased by 3.90% to TL 218,488,148 thousand as of 30 September 2019 from TL 210,291,473 thousand as of 31 December 2018, and constituted 55.05% of the Group's total liabilities as of 30 September 2019 (compared to 56% as of 31 December 2018). The growth in deposits was higher than the growth in loans during the nine months ended 30 September 2019 mainly due to weaker loan demand. During the nine months ended 30 September 2019, the Group's TL denominated deposits grew at a higher rate than its USD denominated deposits. This is a reverse trend compared to the one observed in the Turkish banking sector during this period due to the Group's focus on small ticket retail and demand deposits. The funding base was supported by successful capital markets issuances including the issuance of U.S.$650 million Additional Tier 1 Capital ("**AT1**") notes in January 2019 and an issuance of U.S.$500 million senior secured notes in March 2019. The share of demand deposits in total deposits was 22.20% as of 30 September 2019. Additionally, the Group issued floating-rate Tier 2 notes to qualified investors in Turkey in July 2019 with a transaction size of TL 500 million and a subordinated Tier-2 debt of TL 300 million in October 2019. The loans to deposits ratio (including TL securities) decreased to 100% as of 30 September 2019, as compared to 104% as of 31 December 2018.

Borrowings (including loans received/funds borrowed, subordinated debt and marketable securities issued) increased by 11.16% to TL 100,083,074 thousand as of 30 September 2019 from TL 90,036,762 thousand as of 31 December 2018. The composition of borrowings as of 30 September 2019 was as follows: 26.41% from securitisations, 44.36% from syndications, 17.50% from subordinated debt, 22.72% from bonds and bills (including loan participation notes) and 11.74% from other funding sources, including foreign trade related borrowings and borrowings of subsidiaries.

The Group's shareholders' equity increased by 3.09% to TL 40,210,959 thousand as of 30 September 2019 from TL 39,007,278 thousand as of 31 December 2018 as a result of an increase in profitability.

According to BRSA consolidated figures, the Group had a capital adequacy ratio of 16.66% as of 30 September 2019 as compared to 14.81% as of 31 December 2018.

Off-Balance Sheet Commitments

The Group's total off-balance sheet commitments including guarantees and warranties, commitments and derivative instruments increased by 6.32% to TL 611,141,380 thousand as of 30 September 2019, from TL 574,805,205 thousand as of 31 December 2018. The increase in total off-balance sheet commitments in the nine months ended 30 September 2019 came from commitments, which increased 3.30% to TL 88,612,501 thousand as of 30 September 2019 from TL 85,785,189 thousand as of 31 December 2018.

Segment Results

The following tables set forth certain data for the Group's segments for the nine months ended 30 September 2019 and 2018:

	30 September 2019						
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Foreign Operations	Other *	Eliminations	Group
				(TL thousands)			
Segment revenue...	7,207,699	7,719,205	-	286,407	150,026	(3,791)	15,359,546
Segment expenses.	(5,126,869)	(3,300,033)	-	(129,879)	(2,753,098)	3,791	(11,306,088)
Segment result.....	**2,080,830**	**4,419,172**	**-**	**156,528**	**(2,603,072)**		**4,053,458**

* Other segment mainly includes treasury management results, activities of business support units, insurance operations and other undistributed operations.

	30 September 2018						
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Foreign Operations	Other *	Eliminations	Group
				(TL thousands			
Segment revenue...	5,937,538	4,992,106	-	293,116	3,303,348	(5,500)	14,520,608
Segment expenses.	(3,640,395)	(3,343,245)	-	(107,442)	(2,940,829)	5,500	(10,026,411)
Segment result.....	**2,297,143**	**1,648,861**	**-**	**185,674**	**362,519**	**-**	**4,494,197**

* Other segment mainly includes treasury management results, activities of business support units, insurance operations and other undistributed operations.

Cash and Balances with the Central Bank

Cash and balances with the Central Bank represent a relatively small percentage of the Group's total assets, making up 11.82%, 15.22%, 13.26% and 12.20% as of 30 September 2019 and as of 31 December 2018, 2017 and 2016 respectively. The increase in cash and balances with the Central Bank from 2015 to 30 September 2018 was primarily due to an increase in reserve deposits at central banks driven by an increased rate of reserve requirements of the Central Bank and the volume growth of the Bank.

Loans

Loans represent the largest component of the Group's assets. As of 30 September 2019, loans amounted to TL 252,436,207 thousand (U.S.$44,607,130 thousand), which represented 63.61% of the Group's total assets, compared to TL 249,499,524 thousand, which represented 66.82% of the Group's total assets as of 31 December 2018, TL 216,153,678 thousand, which represented 67.53% of the Group's total assets as of 31 December 2017 and TL 178,664,422 thousand, which represented 65.90% of the Group's total assets as of 31 December 2016.

The Group provides financing for various purposes, the majority of which are corporate and commercial loans and loans to SMEs. However, as demand for longer term financing from existing customers and other high quality corporate credits increases, the Group expects the maturity profile of its portfolio to gradually increase further.

As of 30 September 2019, loans under the CGF programme constituted 7% of the performing loan book. The Bank plans to continue to utilise the CGF programme in the remainder of 2019, subject to any increase in limits and sector focus. However, the Bank currently does not foresee any significant increase in SME lending through the CGF programme as the pace has slowed down.

Loans according to Maturity Structure

The following tables set out certain information relating to the maturity structure of the Group's loan portfolio based upon the division between (i) short-term (less than one year) and (ii) medium and long-term loans (greater than one year) in line with BRSA Principles as of the dates indicated:

	As of 31 December 2018		
		Loans under close monitoring	
	Standard loans	Not under the scope of restructuring	Agreement conditions modified
		(TL, thousands)	
Short term loans	66,126,619	3,424,680	393,489
Medium and long term loans	136,446,561	25,459,051	4,348,762
Total	**202,573,180**	**28,883,731**	**4,742,251**

	As of 31 December 2017			
	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
		(TL, thousands)		
Short term loans and other receivables				
Non specialised loans	61,993,711	732,012	738,723	272,312
Specialised loans	—	—	—	—
Other receivables	—	—	—	—
Medium and long term loans and other receivables				
Non specialised loans	128,871,885	2,758,552	2,388,520	2,118,352
Specialised loans	—	—	—	—
Other receivables	—	—	—	—

	As of 31 December 2016			
	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
		(TL, thousands)		
Short term loans and other receivables	55,999,980	921,250	1,044,618	412,817
Non specialised loans	55,999,980	921,250	1,044,618	412,817
Specialised loans	—	—	—	—
Other receivables	—	—	—	—
Medium and long term loans and other receivables	111,165,951	2,397,033	2,393,767	2,150,421
Non specialised loans	111,165,951	2,397,033	2,393,767	2,150,421
Specialised loans	—	—	—	—
Other receivables	—	—	—	—

Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

Total lending to individuals through consumer loans, individual credit cards, personnel loans and personnel credit cards amounted to TL 53,965,996 thousand (U.S.$9,536,145 thousand), which represented 13.60% of the Group's total assets, as of 30 September 2019, an increase from TL 52,226,170 thousand (U.S.$9,927,231 thousand) as of 31 December 2018, which represented 13.99% of the Group's total assets, which in turn was an increase from TL 51,757,375 thousand as of 31 December 2017, which represented 16.17% of the Group's total assets and which in turn was an increase from TL 47,056,934 thousand as of 31 December 2016, which represented 17.36% of the Group's total assets.

Commercial Instalment Loans and Corporate Credit Cards

Lending through commercial instalment loans and corporate credit cards amounted to TL 29,895,155 thousand (U.S.$5,282,670 thousand), which represented 7.53% of the Group's total assets, as of 30 September 2019, compared to TL 24,605,044 thousand, which represented 6.5% of the Group's total assets as of 31

December 2018, compared to TL 23,903,816 thousand, which represented 7.5% of the Group's total assets as of 31 December 2017 and compared to TL 17,132,212 thousand, which represented 6.3% of the Group's total assets as of 31 December 2016.

Non-performing Loan Sales

From time to time, the Bank sells non-performing loans based on market conditions and expects to continue this going forward.

The Group conducted no significant sales of NPLs in the year ended 31 December 2016.

On 22 February 2017, the Bank's board of directors (the "Board of Directors" or the "Bank's Board of Directors") resolved to sell a fully provisioned NPL portfolio of credit cards and individual loans amounting to TL 493 million for a total consideration of TL 27.5 million to Güven Varlık Yönetim A.Ş.

On 24 April 2017, the Bank sold another fully provisioned NPL portfolio of retail loans amounting to TL 316 million for a total consideration of TL 17.7 million to Güven Varlık Yönetim A.Ş.

On 22 June 2017, the Bank sold a fully provisioned NPL portfolio of retail and SME loans amounting to TL 518 million principal amount for a total consideration of TL 27.1 million to a selection of asset management companies.

On 22 September 2017, the Bank sold a fully provisioned NPL portfolio of retail and SME loans amounting to TL 307 million principal amount for a total consideration of TL 17.65 million to Hayat Varlık Yönetimi A.Ş. and Emir Varlık Yönetimi A.Ş.

The overall NPL sales throughout 2017 positively supported the Bank's NPL ratio for the year ended 31 December 2017 by 74 bps.

On 26 February 2018, the Bank sold an NPL portfolio of retail and SME loans amounting to TL 503 million principal amount for a total consideration of TL 26.4 million to İstanbul Varlık Yönetimi and Hayat Varlık Yönetimi. The proceeds will have a positive pre-tax impact of TL 14 million on the income statement which will be reflected in the Bank's financials for the first quarter of 2018.

On 29 March 2018, the Bank's Board of Directors resolved to sell an NPL portfolio of TL 124 million principal amount for a total consideration of TL 100 million to Yunus Varlık Yönetimi.

On 26 April 2018, the Bank sold an NPL portfolio amounting to TL 501 million principal amount for a total consideration of TL 28.2 million. The proceeds will have a positive pre-tax impact on the income statement which will be reflected in the Bank's financials for the second quarter of 2018.

On 28 June 2018, the Bank's Board of Directors resolved to sell an NPL portfolio of TL 514 million principal amount for a total consideration of TL 31.2 million to a range of asset management companies.

On 29 May 2019, the Bank sold a NPL portfolio comprised of individual and credit cards loans in principal amount of approximately TL 298 million for a total consideration of TL 23 million.

On 19 March 2019, the Bank sold a NPL portfolio comprised of retail and SME loans in principal amount of approximately TL 396 million for a total consideration of TL 24 million.

On 18 April 2019, the Bank sold a NPL portfolio comprised of retail and SME loans in principal amount of approximately TL 529 million for a total consideration of TL 16.3 million.

On 29 May 2019, the Bank sold an NPL portfolio of retail and credit card loans with TL 298 million principal amount for a total consideration of TL 22.7 million.

On 26 June 2019, the Bank sold an NPL portfolio with TL 917 million principal amount for a total consideration of TL 25.6 million.

On 16 September 2019, the Bank sold an NPL portfolio with TL 428 million principal amount.

Derivatives

The Group's derivative transactions primarily include interest rate and foreign exchange swaps, forward foreign exchange purchase and sale transactions, and options. The following table sets out certain information on derivative financial assets based upon management data in line with BRSA requirements:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
Types of derivative transactions		*(TL, thousands)*		
Foreign currency related derivative transactions	**183,254,517**	**194,070,768**	**272,445,631**	**137,959,963**
FC trading forward transactions	16,328,679	19,278,968	26,814,740	15,273,549
Trading swap transactions	157,314,253	161,325,028	221,673,553	105,096,276
Futures transactions	349,553	—	—	—
Trading option transactions	9,262,032	13,466,772	23,957,338	17,590,138
Interest related derivative transactions	**110,711,188**	**87,798,512**	**56,251,434**	**49,251,952**
Forward interest transactions	—	—	—	—
Interest rate swaps	107,081,214	83,986,144	54,129,790	47,580,058
Interest rate options	3,629,974	3,812,368	2,121,644	1,671,894
Interest rate futures	—	—	—	—
Other trading derivative transactions	**31,872,026**	**24,682,146**	**21,267,165**	**18,267,410**
Total trading derivative transactions	**325,837,731**	**306,551,426**	**349,964,230**	**205,479,325**
Types of hedging derivative transactions	—	—	—	—
Transactions for fair value hedge	4,183,166	4,266,224	3,295,553	2,658,411
Cash flow hedges	96,928,680	92,994,503	70,586,749	50,014,021
Transactions for foreign net investment hedge	—	—	—	—
Total hedging related derivatives	**101,111,846**	**97,260,727**	**73,882,302**	**52,672,432**
Total derivative transactions	**426,949,577**	**403,812,153**	**423,846,532**	**258,151,757**

Marketable Securities Portfolio

The Group's marketable securities portfolio comprises of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost. Financial assets at fair value through profit or loss are acquired or incurred principally for the purpose of selling or repurchasing them in the near term or to form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Financial assets at fair value through profit or loss are initially recognised and subsequently re measured at fair value. Securities with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity. Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity, are classified as available for sale. Management determines the appropriate classification of investments at the time of their purchase.

Financial assets at fair value through profit or loss are measured at fair value, and are either acquired for generating profit from short term fluctuations in the price or dealer's margin, or financial assets included in a portfolio in which a pattern of short term profit making exists independent from the acquisition purpose.

Investment securities are initially recognised at fair value. Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to income statement.

Financial assets measured at amortised cost are carried at amortised cost using the effective yield method, less any provision for impairment.

The Group also enters into purchases or sales of investments under agreements to resell or repurchase substantially identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the asset held in the portfolio, as appropriate.

The following table sets out a breakdown of investments held by the Group as on the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Net financial assets at fair value through profit or loss(1)	653,587	248,156	102,563	43,348
Net financial assets at fair value through other comprehensive income(2)..	26,500,797	26,883,680	24,496,524	18,386,109
Net financial assets measured at amortised cost(3)...........................	27,231,440	22,805,679	14,197,066	11,588,890
Total marketable securities portfolio...	**54,385,824**	**49,937,515**	**38,796,153**	**30,018,347**

Please note that the Group adopted TFRS 9 starting from 1 January 2018. As TFRS9 was applied prospectively (with none of the comparatives restated) financial assets as of 31 December 2017 and 2016 have not been presented or classified in accordance with TFRS 9 rules, and they are based on TAS 39 rules as presented and classified in the respective periods' financial statements. The breakdown presented above has been prepared using the latest balance sheet format subsequent to the adoption of TFRS 9.

(1) Includes "Government debt securities" (TL 68,342 thousand, TL 59,980 thousand, TL 36,713 thousand as of 31 December 2018, 2017 and 2016, respectively) and "Share certificates" (TL 177,162 thousand, TL 38,442 thousand and TL 6,635 thousand as of 31 December 2018, 2017 and 2016, respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

(2) Includes "Financial assets available for sale (net)" (TL 26,939 thousand, TL 24,496,524 thousand and TL 18,386,109 thousand, as of 31 December 2018, 2017 and 2016 respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

(3) Includes "Held to maturity investments (net)" (TL 22,805,679 thousand, TL 14,197,066 thousand and TL 11,588,890 thousand as of 31 December 2018, 2017 and 2016, respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

The size of the Group's marketable securities portfolio increased by 8.91% to TL 54,385,824 thousand (U.S.$ 9,610,331 thousand) as of 30 September 2019, compared to TL 49,937,515 thousand (U.S.$9,492,200 thousand) as of 31 December 2018, which represented an increase of 28.72% compared to TL 38,796,153 thousand (U.S.$ 10,671,219 thousand) as of 31 December 2017, which in turn represented an increase of 29.23% compared to TL 30,018,347 thousand (U.S.$8,529,878 thousand) as of 31 December 2016. The increase in the nine months ended 30 September 2019 was driven by growth in the CPI-linked bond portfolios.The increase the year ended 31 December 2018 also was driven by growth in the CPI-linked bond portfolios. The increase in the year ended 31 December 2017 was driven mainly by growth in the fixed-rate Turkish Lira bond and CPI-linked bond portfolios, and the Bank's effective liquidity management policies. The increase in the year ended 31 December 2016 was primarily attributable to scheduled redemptions. A substantial part of the Turkish Lira securities growth emanated from expansion in the volume of CPI-linked bonds.

The weighted average interest rates for securities by major currencies outstanding as of 30 September 2019, and as of 31 December 2018, 2017 and 2016 based on yearly contractual rates are as follows:

	As of 30 September			As of 31 December								
	2019			2018			2017			2016		
	U.S.$	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*
Investment securities												
Financial assets where fair value change is reflected to other comprehensive income statement......................	5.40	3.34	15.72	5.46	4.1	18.65	5.32	4.02	13.05	5.46	4.31	13.7
Financial Assets Measured at Amortised Cost..............................	5.56	2.96	16.05	5.42	2.82	18.23	5.35	1.67	13.35	5.4	2.97	9.46

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss assets include Government bonds and treasury bills, i.e., securities issued by the Turkish Treasury, as well as open ended mutual funds, derivatives and also equity securities that are either listed or unlisted.

The following table sets out a breakdown of the Group's portfolio of such assets as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Government debt securities	212,680	68,342	56,980	36,713
Share certificates	433,746	177,162	38,442	6,635
Derivative financial assets held for trading (1)	—	—	—	—
Other marketable securities	7,161	2,652	7,141	—
Total financial assets at fair value through profit or loss	**653,587**	**248,156**	**102,563**	**43,348**

(1) Figures for the years ended 31 December 2017 and 2016 have been amended in line with TFRS 9 for comparative purposes.

As of 30 September 2019, the size of the Group's portfolio increased by 163.38% to TL 653,587 thousand (U.S.$115,493 thousand) from TL 248,156 thousand (U.S.$47,170 thousand) as of 31 December 2018, itself an 141.95% increase from TL 102,563 thousand (U.S.$27,191 thousand) as of 31 December 2017, which reflected an increase of 136.60% increase from TL 43,348 thousand (U.S.$14,909 thousand) as of 31 December 2016. This increase in the Group's portfolio was driven by the opportunistic accumulation of securities across the period.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets that are not held for trading purposes, nor intended by the Group to be held-to-maturity. The portfolio of such assets consists of Government bonds, treasury bills and Eurobonds that are discounted and coupon securities issued by the Turkish Treasury, as well as open-ended mutual funds incorporated in Turkey, credit linked notes ("**CLNs**"), other bonds issued by domestic and foreign financial institutions and also equity securities that are either listed or unlisted.

The following table sets out certain information relating to the Group's portfolio of such assets available for sale as of 30 September 2019 and as of 31 December 2018, 2017 and 2016:

	As of 30 September	As of 31 December		
	2019	2018	2017(4)	2016(4)
		(TL, thousands)		
Debt securities	26,747,360	27,926,090	24,476,615	18,381,399
Quoted on stock exchange(1)(5)	26,464,404	27,662,947	24,029,378	17,566,627
Not quoted(2)	282,956	263,143	447,237	814,772
Share certificates	125,581	112,232	203,244	152,061
Quoted on stock exchange	227	213	133	119
Not quoted	125,354	112,019	203,111	151,942
Impairment provision (-)(2)	372,144	1,154,642	(278,059)	(243,991)
Other(3)	—	—	94,724	96,640
Total financial assets at fair value through other comprehensive income	**26,500,797**	**26,883,680**	**24,496,524**	**18,386,109**

(1) Includes credit linked notes amounting to TL 0 as of 30 September 2019, TL 0 as of 31 December 2018, TL 168,255 (U.S.$ 44,607) as of 31 December 2017 and TL 475,930 thousand as of 31 December 2016.
(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.
(3) Other includes mutual funds.
(4) Figures as of 31 December 2016 and 2017 are "Available-for-Sale Financial Assets".
(5) As of 1 January 2018, the Group changed its accounting policies with regard to some government debt securities with the adoption of TFRS 9. As a result, government bonds with an amount of TL 1,998,350 have been classified from financial assets at fair value through other comprehensive income to financial assets measured at amortised cost.

As of 30 September 2019, the size of the portfolio of such assets increased to TL 26,500,797 thousand (U.S.$4,682,864 thousand), itself an increase from TL 26,883,680 thousand (U.S.$6,579,428 thousand) as of 31 December 2018, itself an increase from TL 24,496,524 thousand (U.S.$6,494,479 thousand) as of 31 December 2017, itself a decrease from TL 18,386,109 thousand (U.S.$5,224,514 thousand) as of 31 December 2016. The size of the Group's portfolio of such assets as a percentage of total assets decreased to

6.68% as of 30 September 2019, from 7.20% as of 31 December 2018, from 7.65% as of 31 December 2017 and from 6.78% as of 31 December 2016. In 2017, the Bank accumulated CPI-linkers to partially hedge against the volatility of the CPI inflation.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity. These include certain debt investments.

The Group's portfolio of such assets consists of quoted on stock exchange Government bonds, treasury bills and other debt securities, all issued by the Turkish Treasury and foreign government bonds.

The following table sets out certain information relating to the Group's portfolio of such assets as of 30 September 2019 and as of 31 December 2018, 31 December 2017, 2016 and:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Government bonds	26,175,283	22,044,650	13,346,581	10,789,054
Treasury bills	—	—	—	—
Other debt securities	1,056,157	761,029	850,485	799,836
Total financial assets measured at amortised cost	**27,231,440**	**22,805,679**	**14,197,066**	**11,588,890**

As of 30 September 2019, the size of the portfolio of such assets increased by 19.41% to TL 27,231,440 thousand (U.S.$4,811,974 thousand) from TL 22,805,679 thousand (U.S.$5,581,391 thousand) as of 31 December 2018, an increase of TL 14,197,066 thousand (U.S.$3,763,903 thousand) as of 31 December 2017, which in turn represented an increase of TL 11,588,890 thousand (U.S.$3,293,047 thousand) as of 31 December 2016.

Property and Equipment

The following table sets out movements in the Group's tangible assets:

	As of 31 December		
	2018	2017	2016
		(TL, thousands)	
Book value at the beginning of the period	**2.611.849**	**2,713,047**	**2,767,484**
Additions	856,268	160,587	215,561
Transfers from intangible assets	—	—	(233,002)
Sale of a subsidiary	—	(18,220)	—
Disposals (-), net	(2,693)	(20,884)	(30,425)
Reversal of impairment, net	17,210	3,687	(14,121)
Impairment (-)	—	—	716
Depreciation (-)	(177,190)	(228,118)	—
Foreign exchange differences, net	6,731	1,750	6,834
Book value at the end of the period	**3,312,175**	**2,611,849**	**2,713,047**
Cost at the end of the period	5,293,585	4,587,397	4,629,235
Accumulated depreciation at the period end (-)	(1,981,410)	(1,975,548)	(1,916,188)

As of 31 December 2018, the Bank had total provision amounting to TL 207,255 thousand for property and equipment, as compared to TL 224,378 thousand as of 31 December 2017 and TL 224,378 thousand as of 31 December 2016.

The Group owns or leases premises for its head office, branches and operations centres. As of 30 September 2019, the Group's fixed assets (comprising land, land improvements, buildings, computer hardware and other fixed assets) had a total net book value of TL 4,338,843 thousand (U.S.$766,702 thousand), or 1.09% of the Bank's total assets, as compared to TL 3,312,175 thousand (U.S.$629,583 thousand), or 0.89% of the Bank's total assets as of 31 December 2018, as compared to TL 2,611,849 thousand (U.S.$ 692,449 thousand), or 0.82% of the Bank's total assets as of 31 December 2017, as compared to TL 2,713,047 thousand

(U.S.$770,927 thousand) or 1.00% of the Bank's total assets as of 31 December 2016. The Group owns its headquarters buildings in Istanbul and its operations centre in Gebze. As of 30 September 2019, the Bank owned approximately 20.14% of its branches and the rest were leased.

The Group decided to change its accounting policy on valuation of buildings to fair value accounting in accordance with TAS 16 as of 31 March 2015. Based on valuation reports of expert companies, authorised by CMB and BRSA, the Group realised a positive fair valuation difference as other comprehensive income amounting to TL 1.879.424 thousand, net of tax, as of 30 September 2019, compared to TL 1,866,531 thousand, net of tax as of 31 December 2018, compared to TL 1,381,028 thousand, net of tax as of 31 December 2017, compared to TL 1,469,697 thousand, net of tax as of 31 December 2016.

Intangible Assets

The following table sets out the Group's goodwill and other intangible assets:

	As of 31 December		
	2018	2017	2016
		(TL, thousands)	
Balance at the beginning of the period	1,682,226	1,566,864	1,508,428
Additions during the period	244,086	259,736	179,700
Unused and disposed items (-)	—	(10,239)	(11,018)
Sale of a subsidiary	—	—	14,121
Transfers	—	—	—
Impairment reversal	—	—	—
Amortisation expenses (-)	(116,088)	(135,959)	(124,572)
Foreign exchange valuation differences, net	6,888	1,824	205
Balance at the end of the period	**1,817,112**	**1,682,226**	**1,566,864**

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment to goodwill identified as of 30 September 2019 and as of 31 December 2018, 2017 or 2016.

Sources of Funding

As of 30 September 2019, the Group's major sources of funds for its lending and investment activities were deposits, which accounted for 70.23% of total funding, funds borrowed, which accounted for 19.90% of total funding, money markets, which accounted for 1.37% of total funding, and marketable securities issued, which accounted for 8.50% of total funding. Deposits accounted for 71.07%, 65.48% and 70.14% respectively, as of 31 December 2018, 2017 and 2016; funds borrowed accounted for 20.49%, 19.66% and 17.67% respectively, as of 31 December 2018, 2017 and 2016; money markets accounted for 1.19%, 6.06% and 4.11% respectively, as of 31 December 2018, 2017 and 2016; and marketable securities accounted for 7.25%, 8.79% and 8.07% respectively, as of 31 December 2018, 2017 and 2016.

The following table sets out the Group's sources of funding as of the dates indicated:

	As of 30 September 2019		As of 31 December					
	2019	%	2018	%	2017	%	2016	%
				(TL, thousands, except %)				
Deposits	218,488,148	70.23	210,291,473	71.07	173,383,633	65.48	157,088,195	70.14
Funds borrowed including subordinated loans	61,906,063	19.90	60,629,155	20.49	52,068,857	19.66	39,576,667	17.67
Money markets	4,261,798	1.37	3,520,213	1.19	16,056,140	6.06	9,205,029	4.11
Marketable securities issued (net)	26,427,785	8.50	21,442,203	7.25	23,277,871	8.79	18,080,467	8.07
Total	**311,083,794**	**100.00**	**295,883,044**	**100.00**	**264,786,501**	**100.00**	**223,950,358**	**100.00**

The availability of such funds is influenced by factors such as prevailing interest rates, market conditions and the level of competition prevailing.

Deposits

Deposits consist of customer demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of account offered by the Group. Deposits from customers comprise local deposits, foreign currency deposits, savings, and commercial deposits.

During the nine months ended 30 September 2019, deposit growth was mainly driven by growth in Turkish Lira denominated deposits which was also supported by the lower increase in foreign currency deposits. During the year ended 31 December 2018, the growth in deposits was driven by Turkish Lira denominated deposits and nominal increase in foreign currency deposits due to the depreciation of Turkish Lira. During the year ended 31 December 2017, the deposit composition shifted towards retail and demand deposits. During the year ended 31 December 2016, deposit growth was mainly driven by customers' preference to change from foreign currency deposits into local currency deposits, which became more pronounced after the attempted coup in July 2016. Across all periods, the Bank pursued a strategy of rebalancing toward more cost efficient, smaller Turkish Lira deposits. Overall deposit growth of 3.9% for the nine months ended 30 September 2019 (compared with 27.5% for the first nine months of 2018) was mainly driven by 1.3% increase in TL deposits (compared with 16.7% for the first nine months of 2018) and 1.5% decrease in foreign currency deposits in USD terms (compared with 14.5% decrease for the first nine months of 2018).The following tables set out the maturity structure of the Group's deposits/collected funds:

	As of 30 September 2019							
	Demand	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits...............	8.984.229	21.550.329	23.474.498	1.831.675	820.124	1.231.146	1.515	57.893.516
Foreign currency deposits	27.992.034	15.152.932	62.345.817	4.410.195	3.777.141	7.317.147	-	120.995.266
Residents in Turkey	24.788.034	14.770.688	60.823.253	3.628.549	1.786.672	1.710.027	-	107.507.223
Residents abroad	3.204.000	382.244	1.522.564	781.646	1.990.469	5.607.120	-	13.488.043
Public sector deposits.......	1.753.317	219	4.914	462	489	25	-	1.759.426
Commercial deposits........	6.954.050	11.496.414	9.882.565	191.342	434.451	111.612	-	29.070.434
Other institutions deposits	129.911	245.047	694.626	76.945	535.807	49.189	-	1.731.525
Precious metals vault	1.933.595	241.405	375.882	95.024	219.336	59.205	-	2.924.447
Bank deposits...................	747.259	1.431.609	1.553.596	291.931	84.162	4.977	-	4.113.534
The CBRT........................	-	-	-	-	-	-	-	-
Domestic banks................	11.469	1.306.433	674.054	263.016	72.759	4.977	-	2.332.708
Foreign banks...................	149.985	125.176	879.542	28.915	11.403	-	-	1.195.021
Participation banks...........	585.805	-	-	-	-	-	-	585.805
Other	—	—	—	—	—	—	—	—
Total	**48.494.395**	**50.117.955**	**98.331.898**	**6.897.574**	**5.871.510**	**8.773.301**	**1.515**	**218.488.148**

	As of 31 December 2018								
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits..............	6,650,198	—	2,165,456	36,823,863	8,313,437	1,333,258	877,060	1,160	56,164,432
Foreign currency deposits	20,093,087	—	13,142,080	63,479,684	4,779,280	4,687,717	5,014,165	-	111,196,013
Residents in Turkey	17,632,628	—	12,129,420	61,903,652	4,149,880	2,650,519	1,554,838	-	100,020,937
Residents abroad	2,460,459	—	1,012,660	1,576,032	629,400	2,037,198	3,459,327	-	11,175,076
Public sector deposits......	1,189,579	—	2,674	5,483	459	99	23	-	1,198,317
Commercial deposits.......	5,891,404	—	7,599,008	10,354,409	1,784,661	993,821	62,283	-	26,685,586
Other institutions deposits	119,735	—	103,261	1,361,760	231,659	996,277	52,341	-	2,865,033
Precious metals vault	1,162,378	—	150,773	305,887	45,968	83,191	26,594	-	1,774,791
Bank deposits..................	1,012,074	—	7,465,716	1,492,358	297,604	135,375	4,174	-	10,407,301
The CBRT.......................	—	—	2,869,462	-	-	-	-	-	2,869,462
Domestic banks...............	13,728	—	4,413,177	482,447	270,743	28,239	4,174	-	5,212,508
Foreign banks..................	224,956	—	183,077	1,009,911	26,861	107,136	-	-	1,551,941
Participation banks..........	773,390	—	-	-	-	-	-	-	773,390
Other	—	—	—	—	—	—	—	—	—
Total	**36,118,455**	—	**30,628,968**	**113,823,444**	**15,453,068**	**8,229,738**	**6,036,640**	**1,160**	**210,291,473**

	As of 31 December 2017								
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits..............	6,797,877	4,385	2,355,997	35,134,409	1,472,504	190,818	150,872	967	46,107,829
Foreign currency deposits	15,860,217	78,894	15,894,425	42,352,407	5,158,608	6,940,090	3,624,464	—	89,909,105
Residents in Turkey	13,886,368	36,390	15,359,663	41,375,032	4,221,274	3,504,726	1,220,550	—	79,604,003
Residents abroad	1,973,849	42,504	534,762	977,375	937,334	3,435,364	2,403,914	—	10,305,102
Public sector deposits......	250,278	—	3	5,876	3	453	10	—	256,623
Commercial deposits.......	7,499,106	—	7,865,606	7,794,055	637,070	448,428	301,136	—	24,545,401
Other institutions deposits	116,749	—	457,166	801,617	495,305	517	513	—	1,871,867
Precious metals vault	744,610	—	71,033	358,492	27,040	39,115	19,229	—	1,259,519
Bank deposits..................	636,676	71,704	5,266,839	2,599,859	374,986	483,220	5	—	9,433,289
The CBRT.......................	—	—	4,061,881	—	—	—	—	—	4,061,881
Domestic banks...............	9,192	—	1,197,005	1,600,797	226,297	26,983	5	—	3,060,279
Foreign banks..................	158,991	71,704	7,953	999,062	148,689	456,237	—	—	1,842,636
Participation banks..........	468,493	—	—	—	—	—	—	—	468,493
Other	—	—	—	—	—	—	—	—	—
Total	**31,905,513**	**154,983**	**31,911,069**	**89,046,715**	**8,165,516**	**8,102,641**	**4,096,229**	**967**	**173,383,633**

	As of 31 December 2016								
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits.............	6,145,162	2,534	1,392,165	31,602,890	1,555,624	209,889	174,943	485	41,083,692
Foreign currency deposits	12,804,821	36,207	9,292,694	36,447,490	3,899,045	4,665,206	2,289,801	—	69,435,264
Residents in Turkey	11,421,891	18,796	9,186,288	35,929,631	3,589,035	4,035,721	1,220,512	—	65,401,874
Residents abroad	1,382,930	17,411	106,406	517,859	310,010	629,485	1,069,289	—	4,033,390
Public sector deposits......	230,784	—	35	3,797	16	180	59	—	234,871
Commercial deposits.......	6,795,962	—	4,835,125	17,433,057	2,765,952	1,302,572	333,090	—	33,465,758
Other institutions deposits	103,771	—	81,880	2,400,983	785,374	423,524	575	—	3,796,107
Precious metals vault	488,106	—	43,940	309,337	19,931	31,543	7,532	—	900,389
Bank deposits..................	613,650	42,914	5,559,697	971,004	275,121	670,239	39,489	—	8,172,114
The Central Bank	—	—	—	—	—	—	—	—	—
Domestic banks...............	1,931	—	5,329,588	392,639	117,925	19,278	4,170	—	5,865,531
Foreign banks..................	181,583	42,914	230,109	578,365	157,196	650,961	35,319	—	1,876,447
Participation banks..........	430,136	—	—	—	—	—	—	—	430,136
Other	—	—	—	—	—	—	—	—	—
Total	**27,182,256**	**81,655**	**21,205,536**	**89,168,558**	**9,301,063**	**7,303,153**	**2,845,489**	**485**	**157,088,195**

The following table sets out the currency basis analysis of the deposits (including interest expense accruals for all deposits) as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
TL...	93,953,552	92,742,975	75,881,343	84,238,259
U.S.$	76,166,810	73,312,671	62,080,155	45,039,420
€	43,259,850	40,688,125	32,572,722	25,360,322
Other	5,107,936	3,547,702	2,849,413	2,450,194
Total	**218,488,148**	**210,291,473**	173,383,633	157,088,195

Funds Borrowed

The following table sets out the Group's borrowings as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
The Central Bank borrowings........	—	—	—	—	—	460,152	—	418,480
From domestic banks and institutions.................................	1,869,969	2,342,845	1,319,479	1,653,153	1,751,398	1,155,868	985,663	1,387,972
From foreign banks, institutions and funds...................................	62,804	40,116,870	10,117	44,089,253	541,432	38,441,203	381,767	27,334,892
Total..	**1,932,773**	**42,459,715**	**1,329,596**	**45,742,406**	**2,292,830**	**40,057,223**	**1,367,430**	**29,141,344**

On October 2019, the Bank issued Tier 2 notes totalling TL 300 million to investors in Turkey.

On 2 July 2019, the Bank priced a floating–rate Tier-2 issuance to qualified investors, with a coupon rate of 3M TRLIBOR + 100 bps (6.3647% for the first coupon payment on 2 October 2019) with a transaction size of TL500m and an initial maturity of 10 years, callable at the end of the 5th year.

On 15 January 2019, the Bank issued AT1 notes with a nominal amount of U.S.$650 million in compliance with the features specified in the Article 7 of the BRSA Equity Regulation entitled "Additional Tier 1". These debt instruments are eligible to be included in the Additional Tier 1 capital of the Bank, with no specified maturity, having the early redemption every five years after issuance subject to BRSA approval and with an annual rate of 13.875% for the first five years having coupon payments every 6 months. If the core Tier 1 ratio falls below 5.125%, it may be subject to temporary value reduction. These debt instruments will be traded on the Ireland Stock Exchange. Out of the total issuance, U.S.$400 million nominal amount was purchased by Koç Holding A.Ş. and Unicredit in equal amounts, and these purchased amounts were committed not to be sold for 180 days. Unicredit sold such notes following the lapse of the 180-day period.

On 16 January 2019, the Bank made a partial pay back of U.S.$200 million before its maturity of the subordinated loan of U.S.$470 million granted by UniCredit on 18 December 2013 with a maturity of 10 years, which was structured in accordance with the features specified in the Article 8 of the BRSA Regulation on the Equity of Banks, and repayable by the debtor after 5 years from the issuance. The paid amount has been realized as U.S.$190 million principal and plus accrued interest in accordance with the valuation report prepared under CMB regulations.

On 19 July 2018, the Bank entered into a loan facility agreement with Proparco for EUR25 million with a maturity of 10 years. The Bank will use the proceeds of the facility to finance loans for energy efficiency and renewable energy projects.

On 30 May 2018, the Bank issued TL 410,000,000 Mortgage Backed Covered Bonds due 2023.

On 17 May 2018, the Bank entered into a syndicated loan facility comprising of 367-day and two-year tranches, with 48 banks from 19 different countries. The 367-day tranche is comprised of U.S.$332 million and EUR898 million, with a total cost of LIBOR plus 1.30% and EURIBOR plus 1.20%, respectively. The two-year tranche is comprised of U.S.$50 million and EUR25 million, with a total cost of LIBOR plus 2.10% and EURIBOR plus 1.50%, respectively. The new facility replaced the syndicated loan facility that was signed on 4 May 2017.

On 27 April 2018, the Bank entered into a term loan facility agreement with a private investor for U.S.$140 million with a maturity of one year and one week.

On 16 March 2018, the Bank issued U.S.$500 million 6.10% senior notes due 2023. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 27 February 2018, the Bank issued U.S.$100 million notes under its diversified payment rights ("**DPR**") securitisation programme (as defined below) with a maturity of seven years. The transaction was a private placement with the involvement of one commercial bank.

On 20 February 2018, the Bank entered into a loan facility agreement with the European Bank for Reconstruction and Development ("**EBRD**") for U.S.$15 million with a maturity of 15 years. The facility will be used to finance mortgages, green mortgages and residential resource efficiency projects in Turkey.

On 5 February 2018, the Bank issued U.S.$115 million notes under its DPR securitisation programme with a maturity of ten years. The transaction was a private placement with the involvement of one commercial bank.

On 21 December 2017, the Bank issued seven new tranches under its DPR securitisation programme with total proceeds of EUR140 million and U.S.$285 million, of which six tranches had a maturity of five years and one tranche had a seven year maturity. The transaction was a private placement with the involvement of seven different commercial banks.

On 21 October 2016, the Bank established a new financing programme which will enable the Bank to issue mortgage covered bonds outside of Turkey, up to EUR1 billion or its equivalent in other currencies or Turkish Lira in various formats and maturities (the "**DPR securitisation programme**").

On 13 October 2017, the Bank issued TL 528,750,000 Mortgage Backed Covered Bonds due 2022, the Bank's first Mortgage Backed Covered Bonds issuance, and on 20 February 2018, the bank issued TL 229,050,000 Mortgage Backed Covered Bonds due 2023. The proceeds will fund mortgages, green mortgages and residential resource efficiency projects in Turkey.

On 10 October 2017, the Bank entered into a term loan facility agreement with a private investor for U.S.$100 million with a maturity of 18 months.

On 9 October 2017, the Bank entered into a term loan facility agreement with a private investor for U.S.$155 million with a maturity of 3 years.

On 9 October 2017, the Bank signed a syndicated loan facility comprising of 367-day and two year tranches with 37 banks from 17 different countries. The 367-day tranche is comprised of U.S.$311 million and EUR700 million with a total cost of LIBOR plus 1.35% and EURIBOR plus 1.25%, respectively. The two year tranche is comprised of U.S.$100 million and EUR100 million with a total cost of LIBOR plus 2.20% and EURIBOR plus 2.10%, respectively. The new facility replaced the syndicated loan facility that was signed in 12 October 2016.

On 21 June 2017, the Bank issued U.S.$500 million 5.85% senior notes due 2024. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 9 June 2017, the Bank issued TL500 million notes due 2020. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 4 May 2017, the Bank signed a syndicated loan facility comprising of 367-day and two year tranches with 48 banks from 19 countries. The 367-day tranche is comprised of U.S.$266 million and EUR 896.5 million, with a total cost of LIBOR plus 1.45% and EURIBOR plus 1.35% respectively. The two year tranche is comprised of U.S.$40 million and EUR 60 million with a total cost of LIBOR plus 2.20% and EURIBOR plus 2.10%, respectively. This facility replaced the syndicated loan facility that was signed in 4 May 2016.

On 7 March 2017, the Bank entered into a multilateral loan agreement with private investors for U.S.$80 million with a maturity of two years.

On 24 February 2017, the Bank issued U.S.$600 million 5.75% senior notes due 2022. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 8 March 2016, the Bank issued U.S.$500 million fixed rate resettable Tier 2 notes due 2026. The proceeds of the issuance have qualified for Tier 2 capital treatment and had a 70 bps positive impact on the Bank's capital adequacy ratio. Interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 14 July 2015, the Bank issued U.S.$575.12 million notes under its DPR securitisation programme, with maturities between 5 to 12 years. For more information regarding the DPR securitisation programme see "—*Marketable Securities Issued*".

On 10 March 2015, the Bank issued U.S.$416 million notes under its DPR securitisation programme, with maturities between 5 to 10 years.

On 22 October 2014, the Bank issued U.S.$500 million 5.125% senior notes due 2019. The interest on the notes will be paid semi-annually with the principal payment due at maturity. The Bank tapped the notes on 30 October 2014 for a notional amount of U.S.$50 million.

On 2 October 2014, the Bank issued U.S.$550 million notes under its DPR securitisation programme, with a maturity of 20 years.

On 18 December 2013, the Bank entered into a subordinated loan agreement with UniCredit Bank Austria for an amount of U.S.$470 million with a maturity of ten years, repayable at the end of five years, bearing a margin of 6.35%. On 29 January 2015, certain articles of the loan agreement were amended in accordance with Article 8 of the Regulation Regarding Equity of Banks, which is the relevant legislation in force issued by the BRSA. In addition, the interest rate in the credit agreement has been updated to 6.55%.

On 3 December 2013, the Bank issued U.S.$500 million 5.25% senior notes due 2018. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

On 26 July 2013, five new tranches were issued from the DPR securitisation programme and the total proceeds amount to EUR 115 million and U.S.$355 million, with four series having a final maturity of five years and one series with a 13 year final maturity. The transaction was a private placement with the involvement of four commercial banks and one supranational.

On 27 June 2013, the Bank entered into a Loan Agreement with the EBRD in the amount of EUR100 million to be used by private sector micro, small and large SMEs for the purposes of energy efficiency. The loan will be disbursed in tranches. The Bank utilised the first tranche, in the amount of U.S.$55 million, on 11 July 2013.

On 29 May 2013, the Bank entered into a Framework Loan Agreement with the Council of Europe Development Bank (the "**CEB**") in the amount of EUR 100 million, to be used by private sector micro, small and large SMEs. The loan will be disbursed in tranches. For each tranche, the amount, the interest rate (fixed or floating), the currency (EUR or U.S. dollar), the disbursement date, the repayment period, and the parties' accounts for remittance shall be agreed between the CEB and the Bank. The Bank utilised the first tranche, in the amounts of EUR 30 million and U.S.$26 million, on 17 July 2013.

On 22 January 2013, the Bank issued U.S.$500 million 4.0% senior notes due 2020.

On 6 December 2012, the Bank issued Basel II (as defined below in "*Turkish Regulatory Environment—Basel III*") compliant U.S.$1 billion subordinated notes with a ten year maturity at a 5.5% coupon rate. The proceeds of the issuance have been qualified for Tier 2 capital treatment however they are currently subject to grandfathering.

On 24 February 2012, the Bank obtained a U.S.$585 million subordinated loan from UniCredit Bank Austria AG with a ten year maturity (callable after five years). The loan has an all in cost of six month LIBOR + 8.30%. The subordinated loan replaced the existing loan that was received from UniCredit Bank Austria AG in the amount of EUR450 million, maturing on 28 September 2012. With written approval of the BRSA dated 20 February 2012, this loan was approved as subordinated loan and can be taken into consideration as supplementary capital when calculating the Bank's capital adequacy ratios. On 9 January 2013, the Bank repaid this loan in full and replaced it with a further U.S.$585 million subordinated loan from UniCredit Bank Austria AG with a ten year maturity (callable after five years) subject to a fixed interest rate of 5.5%. On 29 January 2015, relevant articles of the loan agreement were amended in accordance with Article 8 of the BRSA's Regulation Regarding Equity of Banks. In addition, the interest rate in the credit agreement has been updated to 5.70%.

In November 2011, the Bank drew down a EUR 50 million equivalent tranche (borrowed in U.S. dollars) under its EUR 200 million Climate Change Facility signed with the EIB on December 2010, with a maturity of 15 years (with a five-year grace period), to support renewable energy and energy efficiency projects. This tranche will mature on 3 November 2026.

On 22 September 2011, the SPC issued another EUR 75 million notes for the benefit of the Bank through Series 2011 E Notes under the same DPR programme. The notes were privately placed with a supranational institution. The series has a final maturity of 12 years.

In 2009, the Bank borrowed EUR 200 million from EIB with a 12-year maturity and, in August 2010, the Bank borrowed additional EUR 50 million in a second tranche under the same terms.

The following table sets out the maturity structure of the Group's borrowings as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Short term	1,803,430	13,069,325	1,303,939	13,622,616	1,720,619	1,444,438	732,279	2,896,348
Medium and Long term	129,343	29,390,390	25,657	32,119,790	572,211	38,612,785	635,151	26,244,996
Total	**1,932,773**	**42,459,715**	**1,329,596**	**45,742,406**	**2,292,830**	**40,057,223**	**1,367,430**	**29,141,344**

The Group has entered into a number of Turkish Lira and foreign currency financings with banks and other financial institutions, which have an average maturity of 12 months.

As of 30 September 2019, the Group had funds borrowed of TL 44,392,488 thousand.

Marketable Securities Issued

The following table sets out a breakdown of the Group's marketable securities issued as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	FC	TL	FC	TL	FC	TL	FC
				(TL, thousands)				
Bills	3,775,342	—	1,373,498	—	1,212,509	107,682	1,399,791	86,665
Asset backed securities	—	3,689,885	—	3,835,712	—	8,278,912	—	6,564,507
Bonds	1,743,376	17,219,182	2,526,863	13,706,130	3,584,201	10,094,567	2,591,092	7,438,412
Total	**5,518,718**	**20,909,067**	**3,900,361**	**17,541,842**	**4,796,710**	**18,481,161**	**3,990,883**	**14,089,584**

The Bank maintains programmes registered with the CMB under which it may issue bonds in the domestic market in local currency.

In December 2018, the Bank registered with the CMB to issue domestic bonds up an aggregate amount of TL 15 billion. From December 2018 through September 2019, the Bank issued an aggregate amount of TL 12,129 million in such domestic bonds under this programme and, as of September 2019, the Bank's total outstanding local currency bonds under this programme were TL 3,240 million. Bonds issued under this programme have no restrictions on early redemption at the investors' request or by repurchasing the bonds in the secondary market. In November 2019, the Bank renewed the programme's registration with the CMB with an increased domestic bond issuance limit of TL 25 billion over one year.

Additionally, the Bank maintains a programme registered with the CMB to issue up to TL 5 billion in subordinated domestic bonds and under this programme the Bank issued TL 500 million and TL 300 million of 10-year subordinated bonds in July 2019 and October 2019, respectively. The subordinated bonds issued under this programme qualify as Tier 2 captial under the Basel III framework.

Guarantees and Warranties

The Group enters into certain financial instruments with off balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include letters of guarantee, bank acceptances, import letters of acceptance and other commitments and liabilities, involve varying degrees of credit risk and are not reflected in the balance sheet. As of 30 September 2019, the Group had issued letters of credit amounting to TL 12,352,612 thousand (U.S.$2,182,787 thousand), letters of guarantee amounting to TL 68,183,785 thousand (U.S.$12,048,521 thousand) and bank acceptances amounting to TL 127,371 thousand (U.S.$22,507 thousand), compared to letters of credit amounting to TL 11,192,813 thousand (U.S.$2,127,547 thousand), letters of guarantee amounting to TL 66,468,231 thousand (U.S.$12,634,384 thousand) and bank acceptances amounting to TL 200,915 thousand (U.S.$38,190 thousand) as of 31 December 2018, TL 11,527,886 thousand (U.S.$3,056,254 thousand), letters of guarantee amounting to TL 60,299,751 thousand (U.S.$15,986,572 thousand) and bank acceptances amounting to TL 212,685 thousand (U.S.$56,387 thousand) as of 31 December 2017 and TL 9,193,170 thousand, TL 52,792,231 thousand and TL 195,766 thousand as of 31 December 2016. Maximum exposure to credit losses for letters of guarantee, bank acceptances and letters of credit is represented by the contractual amount of these transactions. Since many of the guarantees and warranties are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. The ratio of non cash commitments to cash loans was 38.90% as of 31 December 2018, compared to 39.45% as of 31 December 2017 and 38.79% as of 31 December 2016

The following table sets out certain details on guarantees and warrantees on a consolidated basis as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Letters of guarantee	68,183,785	66,468,231	60,299,751	52,792,231
Bank acceptances	127,371	200,915	212,685	195,766
Letters of credit	12,352,612	11,192,813	11,527,886	9,193,170
Prefinancing given as guarantee	—	—	—	—
Endorsement	—	—	—	—
Other guarantees	3,777,238	4,015,050	2,455,811	1,994,971
Other warrantees	4,171,495	3,908,180	4,355,282	4,278,346
Total guarantees and warrantees	**88,612,501**	**85,785,189**	**78,851,415**	**68,454,484**

As of 30 September 2019, the volume of letters of guarantee amounted to TL 68,183,785 thousand (U.S.$ 12,048,521 thousand), compared to TL 66,468,231 thousand (U.S.$12,634,384 thousand) as of 31 December 2018, compared to TL 60,299,751 thousand (U.S.$ 15,986,572 thousand) as of 31 December 2017 and TL 52,792,231 thousand as of 31 December 2016. The overall increase was mainly driven by the improvement in the international trade finance activities of the Bank.

As of 30 September 2019 the volume of letters of credit amounted to TL 12,352,612 thousand (U.S.$2,182,787 thousand), compared to TL 11,192,813 thousand (U.S.$2,127,547 thousand) as of 31 December 2018, compared to TL 11,527,886 thousand (U.S.$3,056,254 thousand) as of 31 December 2017 and TL 9,193,170 thousand as of 31 December 2016.

Contractual Obligations

In the course of its business, the Group enters into various contractual arrangements that require it to make payments of various amounts over time. As a result of the relative short maturity of deposits in Turkey generally, the Group uses these types of financings to extend the maturity of its funding sources.

As of 30 September 2019, the Group had outstanding syndicated loans of TL 12,046,345 thousand, compared to TL 13,798,702 thousand as of 31 December 2018, TL 10,662,245 thousand as of 31 December 2017 and TL 7,586,106 thousand as of 31 December 2016. In addition, the Group had subordinated debt amounting to TL 17,513,575 thousand as of 30 September 2019, compared to TL 13,557,153 thousand as of 31 December 2018, TL 9,718,804 thousand as of 31 December 2017 and TL 9,067,893 thousand as of 31 December 2016.

Capital Adequacy

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("**BIS**"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier 1 capital (which comprises paid in capital, retained earnings and profit (or loss, if any) for the current periods) and its Tier 2 capital (which comprises general and subordinated loans obtained) *minus* deductions (which comprise participations to financial institutions, negative differences between fair and book values of subsidiaries and goodwill), and dividing the result by risk-weighted assets, which reflect both credit risk, market risk and operational risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%. By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) revise the risk weighting of assets that are based upon participation accounts. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The following table sets out information on the Group's consolidated capital and its capital adequacy ratios as of 30 September 2019 and as of 31 December 2018, 2017 and 2016 all computed based upon BRSA guidelines under Basel I.

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Paid in Capital	8,447,051	8,447,051	4,347,051	4,347,051
Legal Reserves	25,884,402	21,216,976	17,697,018	14,539,224
Profit	4,976,694	6,307,380	5,254,035	4,572,749
Net Current Period Profit	3,336,740	4,667,426	3,614,081	2,932,795
Prior Period Profit	1,639,954	1,639,954	1,639,954	1,639,954
Tier 1 Capital (I)	43,239,310	34,495,480	26,637,913	23,388,409
Tier 2 Capital (II)	9,750,338	10,414,487	9,633,807	9,315,485
Deductions (III)	44,637	43,759	139,084	219,529
Own Funds (I+II-III)	52,945,011	44,866,207	36,132,636	32,484,365
Risk Weighted Assets (including market risk)	317,758,049	302,881,004	270,278,292	246,436,668
***Capital Ratios (%)*:**				
Tier 1 Capital/Risk Weighted Assets	13.61	11.39	9.86	9.49
Own Funds/Risk Weighted Assets	16.66	14.81	13.37	13.18

The Bank and its individually regulated operations were in compliance with all the above mentioned capital adequacy requirements throughout the above indicated periods.

The Group's capital adequacy ratio under Basel II was 16.66% as of 30 September 2019, compared to 14.81% as of 31 December 2018, 13.37% as of 31 December 2017 and 13.18% as of 31 December 2016. The Bank-only capital adequacy ratio was 17.76% as of 30 September 2019, 16.07% as of 31 December 2018, compared to 14.49% as of 31 December 2017 and 14.21% as of 31 December 2016.

In 2013, the BRSA announced its intention to adopt the Basel III requirements. As a result, as of the date of this Base Prospectus, Turkish banks are subject to Basel III capital adequacy requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements.

On 23 October 2015, the BRSA published certain amendments to the Equity Regulation and the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks and the 2016 Capital Adequacy Regulation, all of which entered into force on 31 March 2016. On 20 January 2016, the BRSA also introduced certain amendments to existing regulations with a view to continuing its efforts to adopt Basel III requirements. These amendments entered into force on 31 March 2016, except for the amendments relating to internal systems and internal capital adequacy ratios which entered into force on 20 January 2016. The amendments relate to equity requirements, liquidity coverage ratios, internal systems and internal capital adequacy ratios, capital adequacy requirements, risk assessment models and calculation of market risk, credit risk calculations, credit risk mitigation methods, risk management disclosures and financial statement disclosures. Lastly, on 22 June 2016, the BRSA introduced an amendment to the Equity Regulation to change the items taken into account in equity calculation with an enforcement date of 1 January 2017, and also published a draft Communiqué on Principles for Debt Instruments to be Included in Equity Calculations by Banks to introduce certain rules in relation to conversion and write-down of debt instruments to be included in additional Tier I or Tier II capital. See "*Risk Factors—Risks Related to the Turkish Banking Industry—International guidelines for banking regulation and implementation in Turkey are subject to ongoing changes*" above and "*Turkish Regulatory Environment—Capital Adequacy*" in the Base Prospectus. The BRSA Decision on the Countercyclical Capital Buffer amended the countercyclical capital buffer for Turkish bank's exposures in Turkey. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*".

On 23 February 2016, the BRSA issued the D-SIBs Regulation introducing a methodology for assessing the degree to which banks are systemically important in the domestic market. The contemplated methodology requires the identification of the Turkish D-SIBs under four different categories based on their 2014 year-end consolidated financial statements, and requires the banks falling within these categories to hold 1 to 3% of additional core capital (*ilave çekirdek sermaye*) of their total risk-weighted assets. This additional core capital requirement that came into effect on 31 March 2016, subject to a transition period as set out below.

Groups	**D-SIBs Buffer Ratios (%)**			
	2016	**2017**	**2018**	**from 1 January 2019**
4th group (empty)	0.75	1.5	2.25	3
3rd group	0.5	1	1.5	2
2nd group	0.375	0.75	1.125	1.5
1st group	0.25	0.5	0.75	1

As of the date of this Base Prospectus, and effective from 31 March 2016, the Bank has been classified into the second group with respect to D-SIBs buffer ratios. See "*Risk Factors—Risks Related to the Turkish Banking Sector—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*" and "*—Significant Factors Affecting Results of Operations—Turkish Economy*".

Following the attempted coup in July 2016, Moody's placed Turkey's sovereign credit rating, and the ratings of 17 Turkish banks, on review for potential downgrade; S&P downgraded Turkey's sovereign rating from "BB+" to "BB", and did the same for the credit ratings of five Turkish banks; and Fitch changed Turkey's sovereign rating outlook from "stable" to "negative." Moody's then downgraded Turkey's sovereign rating from "Baa3" to "Ba1" in September 2016. On 4 November 2016, although S&P affirmed the country's long-term foreign credit rating at BB, it upgraded its outlook for Turkey's sovereign credit rating to "stable" from "negative", which was then cut back to "negative" on 27 January 2016. On the same day, Fitch downgraded Turkey's sovereign rating from "BBB-" to "BB+" with a stable outlook. With this downgrade, Turkey's rating is currently below investment grade from the "big three" rating agencies. Following the Fitch downgrade, the risk weights of foreign exchange reserves, foreign exchange securities and foreign exchange exposure for Turkish banks was expected to increase from 50% to 100%. This was expected to have an adverse impact on the capital ratios of Turkish banks. However, the BRSA sent a letter to the Turkish banks within the same month in which it lowered the risk weights of foreign exchange reserves to 0%, while the risk weights of foreign exchange securities and foreign exchange exposure remained at 100%. This change, on an overall basis had either no impact or a positive impact on the capital ratios of Turkish banks. For the Bank, the net impact of the BRSA's letter and Fitch downgrade was an improvement of 25 bps on the Bank's capital ratios. Currently, the Group continues to use Fitch to calculate its risk-weighting for Turkish sovereign debt. See "*Risk Factors—Risks Related to the Turkish Banking Industry—International guidelines for banking regulation and implementation in Turkey are subject to ongoing changes*". Capital erosion remains a risk for the banking industry if the Turkish Lira were to face further depreciation pressures and Turkish Lira bonds were to suffer a significant sell-off. Management currently estimates that a 10% depreciation of the Turkish Lira would result in an average of 63 bps CET1 and 53 bps capital adequacy ratio erosion for the Group. Overall, management expects that Turkey's downgrade to below investment grade bond status may have medium-term negative implications on key macroeconomic balances.

Critical Accounting Policies

The Group's accounting policies used in the preparation of financial statements in accordance with the BRSA are integral to understanding the results of operations and financial condition presented in the Annual BRSA Financial Statements and the notes thereto. The Group's significant accounting policies are described in Section three of the Annual BRSA Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for losses, investments, income taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgment upon historical experience and various other factors that it considers to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

Management believes that the following significant accounting policies require critical judgments or estimates or involve a degree of complexity in application that affects the Group's financial condition and results of operations.

TFRS 9 Implementation

The Bank has adopted "TFRS 9: Financial Instruments" to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018, which resulted in changes to accounting policies and adjustments to amounts previously recognised in the financial statements.

As permitted by the transitional provisions of TFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the "Profit reserves" and "Other comprehensive income reserves" for the current period. The Group has also elected to continue to apply the hedge accounting requirements of TAS 39 after adoption of TFRS 9.

The adoption of TFRS 9 resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and also impairment of financial assets.

The following table reconciles the changes for impairment of financial assets between the previous measurement categories in accordance with TAS 39 as of 31 December 2017 to their new measurement categories upon transition to TFRS 9 as of 1 January 2018:

According to TAS 39, TAS 37 and related regulations of BRSA		Provision Difference	According to TFRS 9	
Measurement category	**Allowances**	**Remeasurement**	**Measurement category**	**Expected credit loss provisions**
Financial assets	**27,253**	**83,811**	**Financial assets**	**111,064**
Cash and balances with Central Bank	-	77,943	Cash and balances with Central Bank	77,943
Banks	27,253	5,446	Banks	32,699
Money markets	-	422	Money markets	422
Financial assets available-for-sale	**18,326**	**4,317**	**Financial assets at fair value through other comprehensive income**	**22,643**
Held-to-maturity investments	**-**	**10,481**	**Financial assets measured at amortised cost**	**10,481**
Loans and receivables	**9,929,179**	**440,281**	**Loans**	**10,369,460**
Lease receivables	**268,765**	**153,181**	**Lease receivables**	**421,946**
Factoring receivables	**112,673**	**20,155**	**Factoring receivables**	**132,828**
Other assets	**186,856**	**(175,882)**	**Other assets**	**10,974**
Off-balance sheet commitments	**357,019**	**762,240**	**Off-balance sheet commitments**	**1,119,259**
Total	**10,900,071**	**1,298,584**	**Total**	**12,198,655**

The effect of the application of TFRS 9 to impairment of financial assets is, before tax, negative TL 1,298 thousand. The Group calculated deferred tax related to Stage 1 and Stage 2 expected credit losses, and recognized under shareholder's equity with initial application of TFRS 9. The tax impact is an income of TL 1,033 thousand, and as a result, a net of tax TL 264 thousand expense is recognized under the "Profit Reserves" opening balance related to impairment of financial assets.

Application of TFRS 9 also resulted in changes to the measurement and classification of some financial assets. Visa Inc. shares and credit linked notes classified as "financial assets at fair value through other comprehensive income" per prior application, have been classified as "Financial assets measured at fair value through profit or loss" per TFRS 9 transition applied in the current period. Due to this change an income of TL 23 thousand and an expense of TL 2 thousand have been transferred from "Marketable securities valuation differences" to "Profit reserves".

Some equity instruments classified as "financial assets at fair value through other comprehensive income" in the prior period are now also classified as "financial assets measured at fair value through other comprehensive income", except for Visa Inc. shares and credit linked notes. The fair value changes of related instruments will not be reclassified to profit or loss when they are sold.

As of 30 September 2019, the Group had no financial instrument that failed the solely payments of principal and interest test except for the credit linked notes.

In addition, with the adoption of TFRS 9, some Government debt securities under "financial assets at fair value through other comprehensive income" portfolio were classified as "financial assets measured at amortised cost" due to the change in the business model. In relation to this change, a marketable securities valuation expense amounting to TL 131 thousand was reversed.

Explanations on interest income and expense

Interest income and expenses are recognised in the income statement on an accrual basis periodically by the effective interest method.

As per Uniform Chart of Accounts ("**UCA**"), retrospective rediscount calculation and foreign exchange evaluation are performed for NPLs, and accrued interest and rediscounts on loans are accounted under loan accrual/rediscount accounts when such loan is transferred to NPL accounts. The Bank ceases accruing interest after NPL classification. Instead, the interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

Explanations on fee and commission income and expenses

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15.

Explanations on financial assets

As of 1 January 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Financial assets at fair value through profit or loss;
- Fair value through other comprehensive income; and
- Amortised cost.

According to TFRS 9 classification of financial assets is based on two criteria; classification and measurement of financial assets depend on the business model of the financial asset and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. The Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets, which are classified as “financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 to the Interim BRSA Financial Statements.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at the total of acquisition and transaction cost. After their initial recognition they are carried at “amortised cost” using the “effective interest method”.

Loans and receivables

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on an active market. Loans are recognised initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortised cost using the “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the UCA. Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates, and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Bank provides an expected loss provision based on the assessments and estimates of the management, by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“**Provisioning Regulation**”) published in the Official Gazette No. 29750 dated 22 June 2016. In this context, the management estimates are determined on the basis of the prudence principle, and the Bank’s credit risk policies considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under “Other operating income”. Uncollectible receivables are written-off after all the legal procedures are finalised.

The tables below show the changes to the Group’s volumes of cash loans and expected credit loss between their classifications in accordance with TAS 39 as of 31 December 2017 and their new classifications upon transition to TFRS 9 as of 1 January 2018:

	31 December 2017	After IFRS9 1 January 2018[1]
	(TL million)	
Volumes - Cash Loans		
Stage-1	194,356	207,149
Stage-2	5,518	6,749
Stage-3	9,164	9,615
Total Cash Loans	**209,038**	**223,514**

	31 December 2017	After IFRS9 1 January 2018
Ratios		
Stage -1 / Total Loans	93%	93%
Stage -2 / Gross Loans	2.6%	3.0%
NPL Ratio	4.4%	4.3%

	31 December 2017	After IFRS9 1 January 2018
	(TL million)	
ECL (B/S)		
Stage-1	2,659	1,904
Stage-2	232	623
Stage-3	7,039	8,397
Total ECL	**9,929**	**10,924**

	31 December 2017	After IFRS9 01 January 2018
	%	
Ratios		
Stage-1 Coverage	1.4%	0.9%
Stage-2 Coverage	4.2%	9.2%
Stage-3 Coverage	77%	87%

(1) Cash loans for 1 January 2018 includes factoring and leasing receivables.

After the transition to TFRS 9, leasing and factoring receivables are included in the cash loan volume with classification having changed from stage 1 to stage 2 loans. Stage 2 loans to total loans ratio increased to 3.0% in 1 January 2018, from 2.6% in 31 December 2017. The coverage ratios for the different stages, stage 1 and stage 2 coverage were at 0.9% and 9.2%; respectively, as at 1 January 2018 (31 December 2017: 1.4% and 4.2%). Stage 3 (NPL) coverage increased significantly from 31 December 2017, was at 87.0% as of 1 January 2018 (31 December 2017: 77.0%). The Group's approach was to increase the Stage 3 coverage in order to permit further sales of NPLs in accordance with its past practice, without any negative impact on profit and loss. For more information on the Group's accounting policies, see Section Three, Note 1 to the Interim BRSA Financial Statements. As of 30 September 2019, the amount of Stage 2 loans of the Group stood at TL 38,996,225 thousand (17.5% of performing loans; 15.4% of gross loans) and NPL amount in TL stood at TL 16,936,426 thousand (7.6% of performing loans; 6.7% of gross loans).

Financial assets at fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value change reflected in the other comprehensive income statement.

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. Equity instruments which are not quoted on a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealised gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognised in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

Explanations on impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognised on outstanding amounts in each category, as follows:

- Stage 1*:*

  For financial assets at initial recognition or for those that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

- Stage 2:

  In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

- Stage 3:

  Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the net carrying amount.

Explanations on obligations related to employee rights

Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("**TAS 19**") and are classified under "Reserve for employee rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

Pension rights

The Bank's personnel are members of the Yapı ve Kredi Bankasi Anonim Sirketi Mensuplari Yardim ve Emekli Sandiği Vakfi (the "**Fund**") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph one of the Banking Act published in the Official Gazette No 25983 dated 1 November 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("**SSI**") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on 2 November 2005) by the decision of the Constitutional Court (decision no: E.2005/39, K. 2007/33 dated 22 March 2007) published in the Official Gazette No. 26479 dated 31 March 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated 15 December 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("**GNAT**") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 (the "**New Law**") regulating the transfer or the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette No. 26870 dated 8 May 2008. With the New Law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated 9 April 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated 8 March 2012, Council of Ministers was authorised to increase the two-year extension period mentioned above to four years. According to the decision of the Council of Ministers dated 24 February 2014, the transfer date was set at May 2015. The Council of Ministers was authorised to determine the transfer date of pension funds in accordance with the last amendment of provisional article 20, paragraph one of Law No.5510, implemented by Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette No. 29335 dated 23 April, 2015.

A commission is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9.8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

Defined contribution plans

The Bank is required to pay certain contributions to the SSI on behalf of their employees. Other than these payments the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

Short term benefits of employee

In accordance with TAS 19, the Group measures the expected costs of accumulated paid leave as expected payments it will make due to unused leave rights as at the end of the reporting date.

Critical Accounting Estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies and financial risk management. Judgments, other than those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements include:

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognised at the sum of acquisition and transaction cost. After their initial recognition they are carried at "amortised cost" using the "effective interest method".

Finance leases and derecognition of financial assets

Management applies judgment to determine if substantially all of the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Special purpose entities

Judgment is also required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of available-for-sale equity investments

The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position, in order to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and receivables.

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment the Group evaluates, among other factors, the volatility in share price and the duration and extent to which the fair value of an investment is less than its cost. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would not suffer any additional loss, being the transfer of the total debt balance in the fair value reserve to profit or loss.

Impairment losses on loans and receivables

TFRS 9 "Financial Instruments" standard, issued by the Public Oversight Accounting and Auditing Standards Authority and published in the Official Gazette No. 29953 dated January 19, 2017, replaced TAS 39 Financial

Instruments: recognition and measurement, for the classification and measurement of financial instruments. The new requirements became effective as of 1 January 2018.

TFRS 9 standard sets out the new principles for the classification and measurement of financial instruments, for impairment for credit risk on financial assets and for general hedge accounting. It is expected that all requirements of TAS 39 will be maintained for hedge accounting.

Fair value of derivatives

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation

Turkish tax, currency and customs legislation is subject to varying interpretations as disclosed in Section three, Note XVII to the Annual BRSA Financial Statements for the year ended 31 December 2017.

Pension Fund

The Group determines the present value of funded benefit obligations in accordance with the New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Section three, Note XVI to the Annual BRSA Financial Statements for the year ended 31 December 2017. This approach recognises the obligations of the Group to make payments to the SSI in respect of the benefits which will be transferred to the SSI rather than an obligation to make benefit payments to individuals.

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Goodwill

Recoverable amount of goodwill was estimated based on value in use calculation as disclosed in Section three, Note XII to the Annual BRSA Financial Statements for the year ended 31 December 2017.

SELECTED STATISTICAL AND OTHER INFORMATION

Except as specifically noted herein, the information presented in this section is derived from the BRSA Financial Statements (and the notes thereto). This section should be read in conjunction with the BRSA Financial Statements incorporated by reference in this Base Prospectus, as well as with "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

All financial information presented in this Base Prospectus is presented in accordance with BRSA Principles unless expressed to the contrary.

*Some of the information included in this section of the Prospectus is not extracted from the Bank's audited financial statements and is unaudited. Such information is derived from the Bank's internal accounting and management information systems ("**MIS**") in accordance with the BRSA principles.*

Average Balance Sheet Information and Information on Interest Rates

The following tables set forth the average consolidated balances of the Group's interest earning assets and interest bearing liabilities, the interest generated from such assets and liabilities and average return rate at each date presented. For purposes of the following tables, except as otherwise indicated, the average is calculated on a daily basis for each representative period and is based on consolidated figures derived from the Group's internal accounting and MIS in accordance with BRSA Principles.

	For the year ended 31 December								
	2018			2017			2016		
	Average Balance(1)	Interest	Average Rate (%)	Average Balance(1)	Interest	Average Rate (%)	Average Balance(1)	Interest	Average Rate (%)
	(TL, thousands, except %)								
Assets									
Banks	5,053,388	773,117	30.60	4,143,089	330,887	15.97	3,280,236	174,287	10.63
Loans and receivables	218,483,372	25,681,345	23.51	190,331,605	18,020,957	18.94	166,341,206	15,684,097	18.86
Marketable securities	44,394,765	7,182,346	32.36	34,407,250	3,436,507	19.98	30,063,442	2,400,058	15.97
Liabilities									
Deposits	191,837,553	14,331,588	14.94	165,235,914	9,638,329	11.67	143,556,630	7,867,050	10.96
Money markets	9,788,177	1,506,986	30.79	12,630,585	824,556	13.06	11,734,283	956,350	16.30
Other funds borrowed	67,071,065	4,620,544	13.78	57,108,583	2,730,970	9.56	45,311,557	2,035,050	8.98

(1) Average balances are calculated based on the beginning and ending balances over the relevant period.

Average Interest Earning Assets, Yields, Margins and Spreads

Marketable Securities Portfolio

The Group's marketable securities portfolio comprises of financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income. Trading securities are acquired or incurred principally for the purpose of selling or repurchasing them in the near term or to form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

The size of the Group's marketable securities portfolio increased by 8.91% to TL 54,385,824 thousand (U.S.$ 9,610,331 thousand) as of 30 September 2019, compared to TL 49,937,515 thousand (U.S.$9,492,200 thousand) as of 31 December 2018, which represented an increase of 28.72% compared to TL 38,796,153 thousand (U.S.$ 10,671,219 thousand) as of 31 December 2017, which in turn represented an increase of 29.23% compared to TL 30,018,347 thousand (U.S.$8,529,878 thousand) as of 31 December 2016. The increase in the nine months ended 30 September 2019 was driven by growth in the CPI-linked bond portfolios. The increase the year ended 31 December 2018 also was driven by growth in the CPI-linked bond portfolios. In U.S. dollar terms, foreign currency-denominated securities were relatively stable in 2018. The increase in the year ended 31 December 2017 was driven mainly by growth in the fixed-rate Turkish Lira bond and CPI-linked bond portfolios, and the Bank's effective liquidity management policies. The increase in the year ended 31 December 2016 was primarily attributable to scheduled redemptions. A substantial part of the Turkish Lira securities growth emanated from expansion in the volume of CPI-linked bonds.

In line with the risk management policies of the Group, 50.07% of the Group's marketable securities portfolio comprised financial assets measured at amortised cost as of 30 September 2019, compared to 45.62% as of 31

December 2018, 36.59% as of 31 December 2017 and 35.10% as of 31 December 2016. The following table sets out an analysis of the composition of the Group's marketable securities portfolio as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Net financial assets at fair value through profit or loss[(1)]	653,587	248,156	102,563	43,348
Net financial assets at fair value through other comprehensive income[(2)]	26,500,797	26,883,680	24,496,524	18,386,109
Net financial assets measured at amortised cost[(3)]	27,231,440	22,805,679	14,197,066	11,588,890
Total marketable securities portfolio	**54,385,824**	**49,937,515**	**38,796,153**	**30,018,347**

Please note that the Group adopted TFRS 9 starting from 1 January 2018. As TFRS9 was applied prospectively (with none of the comparatives restated) financial assets as of 31 December 2017 and 2016 have not been presented or classified in accordance with TFRS 9 rules, and they are based on TAS 39 rules as presented and classified in the respective periods' financial statements. The breakdown presented above has been prepared using the latest balance sheet format subsequent to the adoption of TFRS 9.

(1) Includes "Government debt securities" (TL 68,342 thousand, TL 59,980 thousand, TL 36,713 thousand as of 31 December 2018, 2017 and 2016, respectively) and "Share certificates" (TL 177,162 thousand, TL 38,442 thousand and TL 6,635 thousand as of 31 December 2018, 2017 and 2016, respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

(2) Includes "Financial assets available for sale (net)" (TL 26,939 thousand, TL 24,496,524 thousand and TL 18,386,109 thousand, as of 31 December 2018, 2017 and 2016 respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

(3) Includes "Held to maturity investments (net)" (TL 22,805,679 thousand, TL 14,197,066 thousand and TL 11,588,890 thousand as of 31 December 2018, 2017 and 2016, respectively), as presented in the consolidated balance sheets as of 31 December 2018, 2017 and 2016.

The interest rates on the Group's Turkish Lira and foreign currency denominated securities ranged between 15.72% to 17.33% and from 3.34% to 5.56%, respectively, for the nine months ended 30 September 2019 compared to 13.49% to 19.46% and from 4.10% to 5.46%, respectively, for the year ended 31 December 2018, 13.05% to 13.35% and from 4.02% to 5.32%, respectively, for the year ended 31 December 2017 and from 9.46% to 9.59% and from 4.31% to 5.46%, respectively, for the year ended 31 December 2016

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss assets include Government bonds and treasury bills, i.e., securities issued by the Turkish Treasury, as well as open ended mutual funds, derivatives and also equity securities that are either listed or unlisted.

The following table sets out a breakdown of such assets of the Group as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Government debt securities	212,680	68,342	56,980	36,713
Share certificates	433,746	177,162	38,442	6,635
Derivative financial assets held for trading [(1)]	—	—	—	—
Other marketable securities	7,161	2,652	7,141	—
Total financial assets at fair value through profit or loss	**653,587**	**248,156**	**102,563**	**43,348**

(1) Figures for the years ended 31 December 2017 and 2016 have been amended in line with TFRS 9 for comparative purposes.

As of 30 September 2019, the size of the Group's portfolio increased by 163.38% to TL 653,587 thousand (U.S.$115,493 thousand) from TL 248,156 thousand (U.S.$47,170 thousand) as of 31 December 2018, itself an 142% increase from TL 102,563 thousand (U.S.$27,191 thousand) as of 31 December 2017, which reflected an increase of 137% from TL 43,348 thousand (U.S.$14,909 thousand) as of 31 December 2016. This increase in the Group's portfolio was driven by the depreciation in Turkish Lira against the U.S. dollar as well as the adoption of TFRS 9 classification.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets that are not held for trading purposes, nor intended by the Group to be held-to-maturity. The portfolio of such assets consists of Government bonds, treasury bills and Eurobonds that are discounted and coupon securities issued by the

Turkish Treasury, as well as open ended mutual funds incorporated in Turkey, CLNs, other bonds issued by domestic and foreign financial institutions and also equity securities that are either listed or unlisted.

The following table sets out certain information relating to the portfolio of such assets of the Group as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017[4]	2016[4]
		(TL, thousands)		
Debt securities	26,747,360	27,926,090	24,476,615	18,381,399
Quoted on stock exchange[1]	26,464,404	27,662,947	24,029,378	17,566,627
Not quoted[2]	282,956	263,143	447,237	814,772
Share certificates	125,581	112,232	203,244	152,061
Quoted on stock exchange	227	213	133	119
Not quoted	125,354	112,019	203,111	151,942
Impairment provision (-)[2]	372,144	1,154,642	(278,059)	(243,991)
Other[3]	—	—	94,724	96,640
Total financial assets at fair value through other comprehensive income	**26,500,797**	**26,883,680**	**24,496,524**	**18,386,109**

(1) Includes credit linked notes amounting to TL 0 as of 30 September 2019, TL 0 as of 31 December 2018, TL 168,255 (U.S.$ 44,607) as of 31 December 2017 and TL 475,930 thousand as of 31 December 2016.
(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.
(3) Other includes mutual funds.
(4) Figures as of 31 December 2016 and 2017 are "Available-for-Sale Financial Assets".

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity. These include certain debt investments. The Group cannot classify any financial asset as held-to-maturity if it has, during the current financial year or during the two preceding financial years, sold or transferred financial assets measured at amortised cost before maturity.

The portfolio of the Group consists of Government bonds, treasury bills and Eurobonds that are purchased at discount and coupon securities issued by the Turkish Treasury and foreign government bonds.

The following table sets out certain information relating to the Group's portfolio of such assets as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
Government bonds	26,175,283	22,044,650	13,346,581	10,789,054
Treasury bills	—	—	—	—
Other debt securities	1,056,157	761,029	850,485	799,836
Total Financial Assets Measured at Amortised Cost	**27,231,440**	**22,805,679**	**14,197,066**	**11,588,890**

As of 31 December 2018, the size of the portfolio of such assets increased by 60.64% to TL 22,805,679 thousand (U.S.$ 4,334,939 thousand) from TL 14,197,066 thousand (U.S.$3,763,903 thousand) as of 31 December 2017.

Maturities of Securities

The following tables set out the remaining maturities of the Group's securities based upon the original term to maturity (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September 2019					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
	(TL, thousands)					
Net financial assets at fair value through profit or loss	38,459	93,390	14,340	73,654	433,744	653,587
Net financial assets at fair value through other comprehensive income	230,015	4,358,347	17,220,920	4,611,371	80,144	26,500,797
Net financial assets measured at amortised cost	89,120	2,305,352	10,115,782	14,721,186	—	27,231,440

	As of 31 December 2018					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
	(TL, thousands)					
Net financial assets at fair value through profit or loss	2,571	937	14,744	52,657	177,247	248,156
Net financial assets at fair value through other comprehensive income	376,330	2,071,473	17,315,740	7,109,204	66,794	26,939,541
Net financial assets measured at amortised cost	121,228	182,369	6,924,030	15,578,052	—	22,805,679

	As of 31 December 2017					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
	(TL, thousands)					
Trading[(1)] financial assets	2,057,904	823,168	855,721	454,845	38,442	4,230,080
Available-for-sale financial assets	520,275	1,028,099	15,221,486	7,568,857	157,807	24,496,524
Held-to-maturity investments	242,717	989,683	2,343,668	10,620,998	—	14,197,066

	As of 31 December 2016					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
	(TL, thousands)					
Trading[(1)] financial assets	956,760	842,677	887,506	347,252	6,635	3,040,830
Available-for-sale financial assets	222,560	718,519	7,745,531	9,592,756	106,743	18,386,109
Held-to-maturity investments	11,601	1,116,243	1,692,743	8,768,303	—	11,588,890

(1) Including derivative financial assets.

Currency breakdown of marketable securities portfolio

The following table sets out the currencies of the Group's marketable securities portfolio as of the dates indicated:

	As of 30 September 2019					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Net financial assets at fair value through profit or loss	309,372	10,885	-	320,257	333,330	653,587
Net financial assets at fair value through other comprehensive income	3,165,677	622,140	134,960	3,922,777	22,578,020	26,500,797
Net financial assets measured at amortised cost	9,693,023	1,150,445	-	10,843,468	16,387,972	27,231,440

	As of 31 December 2018					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Net financial assets at fair value through profit or loss	213,642	7,536	-	221,178	26,978	248,156
Net financial assets at fair value through other comprehensive income	2,584,899	908,031	540,278	4,033,208	22,906,333	26,939,541
Net financial assets measured at amortised cost	8,684,381	1,153,991	-	9,838,372	12,967,307	22,805,679

	As of 31 December 2017					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading(1) financial assets	412,456	135,653	78	548,187	3,681,893	4,230,080
Available for sale financial assets	2,385,954	737,775	72,507	3,196,236	21,300,288	24,496,524
Held to maturity investments	6,293,547	1,131,782	1	7,425,330	6,771,736	14,197,066

	As of 31 December 2016					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading(1) financial assets	294,151	116,621	62	410,834	2,629,996	3,040,830
Available for sale financial assets	2,424,882	700,325	21,317	3,146,524	15,239,585	18,386,109
Held to maturity investments	5,889,209	868,012	2	6,757,223	4,831,667	11,588,890

(1) Including derivative financial assets.

Loan Portfolio

Loans and receivables represent the largest component of the Group's assets. As of 30 September 2019, total loans and receivables amounted to TL 252,436,207 thousand (U.S.$44,607,130 thousand), which represented 63.61% of the Group's total assets compared to TL 234,967,956 thousand (U.S.$ 44,663,072 thousand) as of 31 December 2018, which represented 62.93% of the Group's total assets at that time, 63.1% of total assets as of 31 December 2017 and TL 178,664,422 thousand (or 65.90% of total assets) as of 31 December 2016. The Group's net loans and receivables increased by 16.32% from 31 December 2017 to 31 December 2018. On a foreign exchange adjusted basis, performing loans of the Group decreased by 5% in 2018 versus 2017 year-end.

The Group executed TL 2.0 billion worth of NPL sales during the year ended 31 December 2018, which represented 0.9% of its loans and receivables as of 31 December 2018. The Group executed TL 1.6 billion worth of NPL sales during the year ended 31 December 2017, which represented 0.8% of its loans and receivables as of 31 December 2017.

The Group provides financing for various purposes, the majority of which are corporate loans and loans to SMEs. However, as demand for longer term financing from existing customers and other high quality corporate credits increases, the Group expects the maturity profile of its portfolio to increase further.

Distribution of Loans and Receivables by Sector

As of 30 September 2019, The Group's loan portfolio comprised mainly the following segments: Turkish Lira company loans (20%), foreign currency company loans (42%), commercial instalment loans (10%), credit cards (13%), general purpose consumer loans (10%) and mortgages (5%). Of the total foreign currency loans, 57% were project finance loans (with a contraction of 9% year-over-year), 34% were long term investment loans (with a contraction of 27% year-over-year), 9% were short term loans (with a contraction of 12% year-over-year).

As part of its ongoing lending strategy, the Group intends to focus on smaller loans including in the retail segment and selected Turkish Lira loans. Lending to individuals through consumer loans (including credit cards) rose by 3% to TL 62,527,714 thousand as of 30 September 2019, mainly due to the subdued loan growth driven by the volatility in the operating environment due to macro and political uncertainties, compared to TL 60,637,765 thousand as of 31 December 2018, TL 51,757,375 thousand as of 31 December 2017 and TL 47,056,934 thousand as of 31 December 2016.

The following table sets out the Group's performing retail and corporate loans by category as of the dates indicated in line with the Annual BRSA Financial Statements, including watch list customers:

	As of 30 Sepember	As of 31 December		
	2019	2018	2017	2016
	(TL, thousands)			
Individual loans				
Housing	10,501,377	12,468,234	13,913,407	12,586,075
Credit cards	20,763,486	19,603,053	17,231,136	15,978,998
Auto	498,728	531,076	493,034	361,221
Other	22,202,405	19,623,807	20,119,798	18,130,640
Total individual loans	**53,965,996**	**52,226,170**	**51,757,375**	**47,056,934**
Loans to companies (including SMEs)	198,470,211	168,322,653	148,116,692	129,428,903
Total loans to companies	**198,470,211**	**168,322,653**	**148,116,692**	**129,428,903**
Total	**252,436,207**	**220,548,823**	**199,874,067**	**176,485,837**

The Bank expects that its primary growth opportunities in its retail segment will be in general purpose loans as well as loans to SMEs, which are presently underpenetrated markets in Turkey compared to Western Europe and U.S. markets. The credit card market is also expected to continue to be a focus area for the Bank, although with lower growth as it is a well-developed and relatively more penetrated market.

Composition by Maturity and Interest Rate

The following table sets out certain information relating to the maturity profile of the Group's loan portfolio (including NPLs) based upon the original term to maturity (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
	(TL, thousands)			
Unclassified	532,322	(1,231,206)	2,124,720	2,178,585
Up to 3 months	58,927,781	64,425,260	64,477,418	48,626,856
3 months to 1 year	59,512,460	56,655,823	64,250,098	40,082,186
1 year to 5 years	95,398,584	92,486,004	59,321,829	47,069,950
Over 5 years	21,660,956	22,632,075	11,824,722	40,706,845
Total loans	**236,032,103**	**234,967,956**	**201,998,787**	**178,664,422**

Composition of Loan Portfolio by Currency

As of 30 September 2019, foreign currency denominated loans amounted to TL 102,334,534 thousand (U.S.$ 18,083,182 thousand), or 42.91% of total loans (of which U.S. dollar obligations were the most significant portion), compared to TL 111,443,761 thousand (U.S.$ 21,183,402 thousand) as of 31 December 2018, TL 79,780,404 thousand (U.S.$ 21,151,251 thousand) as of 31 December 2017 and TL 76,403,968 thousand as of 31 December 2016.

The following table sets out an analysis of the composition of the Group's cash loan portfolio by currency as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
	(TL, thousands)			
TL	14,703,173	123,524,195	122,218,383	102,260,454
U.S.$	50,729,977	55,842,143	41,796,399	43,075,738
Euro	49,563,816	53,838,321	36,743,317	32,030,525
Other	2,040,741	1,763,297	1,240,688	1,297,705
Total	**117,037,707**	**234,967,956**	**201,998,787**	**178,664,422**

Foreign currency loans include foreign exchange indexed loans amounting to TL 1,684,799 thousand as of 30 September 2019, which have been disclosed as Turkish Lira denominated loans in the BRSA Financial Statements (TL 4,356,033 thousand as of 31 December 2018).

Comparison by Loan Classification and Allowances

The following tables set out a comparison of the Group's loan portfolio by loan classification and allowances as of the dates indicated:

	As of 31 December 2018					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	130,775,909	30,676,654	26,336,206	11,586,324	3,198,087	202,573,180
Watch list	29,135,149	1,946,463	1,678,442	645,155	220,773	33,625,982
Loans under legal follow-up	10,071,226	1,358,436	1,156,509	543,984	170,207	13,300,362
Specific provisions (-)	7,512,095	884,225	598,582	433,729	143,522	9,572,153
Total	**162,470,189**	**33,097,328**	**28,572,575**	**12,341,734**	**3,445,545**	**239,927,371**

	As of 31 December 2017					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	136,797,865	33,559,109	23,999,186	9,986,409	3,664,159	208,006,728
Watch list	4,194,521	967,131	356,255	202,260	170,878	5,891,045
Loans under legal follow-up	5,868,992	1,850,001	1,444,591	340,768	110,676	9,615,028
Specific provisions (-)	(4,371,011)	(1,470,045)	(1,197,808)	(217,713)	(102,546)	(7,359,123)
Total	**142,490,367**	**34,906,196**	**24,602,224**	**10,311,724**	**3,843,167**	**216,153,678**

	As of 31 December 2016					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	118,792,011	29,912,146	21,780,057	7,966,725	2,709,393	181,160,332
Watch list	4,369,279	1,165,790	466,554	279,550	174,064	6,455,237
Loans under legal follow-up	5,018,769	2,181,464	1,648,934	335,655	141,420	9,326,242
Specific provisions (-)	(3,472,056)	(1,805,842)	(1,392,684)	(277,444)	(130,598)	(7,078,624)
Total	**124,708,003**	**31,453,558**	**22,502,861**	**8,304,486**	**2,894,279**	**189,863,187**

Fair value of collateral

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledges on vehicles. The following tables show the fair value of collateral under the Group's watch listed and loans under legal follow-up as of the dates indicated:

	As of 31 December 2018					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Watch list	18,506,067	311,152	-	285,410	-	19,102,629
Loans under legal follow-up[(1)]	4,074,692	138,469	-	498,385	-	4,711,546
Total	**22,580,759**	**449,621**	**-**	**783,795**	**-**	**23,814,175**

	As of 31 December 2017					
	Corporate, commercial and other loans	Consumer loans	Credit Cards	Financial leasing	Factoring	Total
	(TL, thousands)					
Watch list	8,283,959	988,733	—	336,250	—	9,608,942
Loans under legal follow-up[(1)]	1,157,265	94,729	—	341,611	—	1,593,605
Total	**9,441,224**	**1,083,462**	**—**	**677,861**	**—**	**11,202,547**

	As of 31 December 2016					
	Corporate, commercial and other loans	Consumer loans	Credit Cards	Financial leasing	Factoring	Total
	(TL, thousands)					
Watch list	8,309,903	998,699	—	279,550	—	9,588,152
Loans under legal follow-up[(1)]	1,173,649	100,758	—	335,655	—	1,610,062
Total	**9,483,552**	**1,099,457**	—	**615,205**	—	**11,198,214**

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "*Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside*".

Credit classification and provisioning policy

A description of the Group's risk management policies is set out in "*Risk Management*".

The Group uses an internal rating model for the evaluation of credit risk management of its corporate and commercial clients, classifying them on a scale of 17 grades. The following table shows the Bank's rating tool concentration by risk classes as of the dates indicated:

		Concentration level (%)		
		As of 31 December		
	Rating Class[(1)]	2018	2017	2016
Above average	1 — 4	48.1	46.5	45.2
Average	5+ — 6	45.1	46.9	44.3
Below average	7+— 9	6.8	6.6	10.6

(1) For corporate and commercial clients only.

Scoring models are also used throughout the granting and monitoring/collection processes for consumer loans and the credit card segment. These models are developed and updated in accordance with changes in customer behaviour. A new application scorecard has also been developed to evaluate SME clients. The model categorises clients into 23 rating classes.

The Group conducted five NPL sales in the nine months ended 30 September 2019, five in 2018 and four in 2017. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Loans and Receivables—Non-Performing Loans Sales"*.

Sources of Funding

As of 30 September 2019, the Group's major sources of funds for its lending and investment activities were deposits, which accounted for 70.23% of total funding and, to a lesser extent, funds borrowed, which accounted for 19.90% of total funding, and marketable securities issued (net), which accounted for 1.37% of total funding, compared to 71.07%, 20.49% and 7.25%, respectively as of 31 December 2018, 65.48%, 19.66% and 8.79%, respectively as of 31 December 2017 and 70.14%, 17.67% and 8.07%, respectively, as of 31 December 2016. The following table sets out the Group's sources of funding as of the dates indicated:

	As of 30 September		As of 31 December					
	2019	%	2018	%	2017	%	2016	%
				(TL, thousands, except %)				
Deposits	218,488,148	70.23	210,291,473	71.07	173,383,633	65.48	157,088,195	70.14
Funds borrowed including subordinated loans	61,906,063	19.90	60,629,155	20.49	52,068,857	19.66	39,576,667	17.67
Money markets	4,261,798	1.37	3,520,213	1.19	16,056,140	6.06	9,205,029	4.11
Marketable securities issued (net)	26,427,785	8.50	21,442,203	7.25	23,277,871	8.79	18,080,467	8.07
Total	**311,083,794**	**100.00**	**295,883,044**	**100.00**	**264,786,501**	**100.00**	**223,950,358**	**100.00**

The availability of such funds is influenced by factors such as prevailing interest rates, market conditions and the existing level of competition.

Deposits

Deposits consist of customer demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the Group. Deposits comprise local deposits, foreign currency deposits, savings, and commercial deposits. Deposit growth in the year ended 31 December 2018 compared to 31 December 2017 was mainly driven by growth in Turkish Lira-denominated deposits and nominal increases in foreign currency deposits due to the depreciation of the Turkish Lira.

The following tables set out the maturity structure of the Group's deposits/collected funds (in Turkish Lira, thousands):

	As of 31 December 2018							
	Demand	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits	6,650,198	2,165,456	36,823,863	8,313,437	1,333,258	877,060	1,160	56,164,432
Foreign currency deposits	20,093,087	13,142,080	63,479,684	4,779,280	4,687,717	5,014,165	-	111,196,013
Residents in Turkey	17,632,628	12,129,420	61,903,652	4,149,880	2,650,519	1,554,838	-	100,020,937
Residents abroad	2,460,459	1,012,660	1,576,032	629,400	2,037,198	3,459,327	-	11,175,076
Public sector deposits	1,189,579	2,674	5,483	459	99	23	-	1,198,317
Commercial deposits	5,891,404	7,599,008	10,354,409	1,784,661	993,821	62,283	-	26,685,586
Other institutions deposits	119,735	103,261	1,361,760	231,659	996,277	52,341	-	2,865,033
Precious metals vault	1,162,378	150,773	305,887	45,968	83,191	26,594	-	1,774,791
Bank deposits	1,012,074	7,465,716	1,492,358	297,604	135,375	4,174	-	10,407,301
The CBRT	-	2,869,462	-	-	-	-	-	2,869,462
Domestic banks	13,728	4,413,177	482,447	270,743	28,239	4,174	-	5,212,508
Foreign banks	224,956	183,077	1,009,911	26,861	107,136	-	-	1,551,941
Participation banks	773,390	-	-	-	-	-	-	773,390
Other	—	—	—	—	—	—	—	—
Total	**36,118,455**	**30,628,968**	**113,823,444**	**15,453,068**	**8,229,738**	**6,036,640**	**1,160**	**210,291,473**

	As of 31 December 2017							
	Demand	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits	6,797,877	2,360,382	35,134,409	1,472,504	190,818	150,872	967	46,107,829
Foreign currency deposits	15,860,217	15,973,319	42,352,407	5,158,608	6,940,090	3,624,464	—	89,909,105
Residents in Turkey	13,886,368	15,396,053	41,375,032	4,221,274	3,504,726	1,220,550	—	79,604,003
Residents abroad	1,973,849	577,266	977,375	937,334	3,435,364	2,403,914	—	10,305,102
Public sector deposits	250,278	3	5,876	3	453	10	—	256,623
Commercial deposits	7,499,106	7,865,606	7,794,055	637,070	448,428	301,136	—	24,545,401
Other institutions deposits	116,749	457,166	801,617	495,305	517	513	—	1,871,867
Precious metals vault	744,610	71,033	358,492	27,040	39,115	19,229	—	1,259,519
Bank deposits	636,676	5,338,543	2,599,859	374,986	483,220	5	—	9,433,289
The CBRT	—	4,061,881	—	—	—	—	—	4,061,881
Domestic banks	9,192	1,197,005	1,600,797	226,297	26,983	5	—	3,060,279
Foreign banks	158,991	79,657	999,062	148,689	456,237	—	—	1,842,636
Participation banks	468,493	—	—	—	—	—	—	468,493
Other	—	—	—	—	—	—	—	—
Total	**31,905,513**	**32,066,052**	**89,046,715**	**8,165,516**	**8,102,641**	**4,096,229**	**967**	**173,383,633**

	As of 31 December 2016								
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Cumulative Deposits	Total
Savings deposits	6,145,162	2,534	1,392,165	31,602,890	1,555,624	209,889	174,943	485	41,083,692
Foreign currency deposits	12,804,821	36,207	9,292,694	36,447,490	3,899,045	4,665,206	2,289,801	—	69,435,264
Residents in Turkey	11,421,891	18,796	9,186,288	35,929,631	3,589,035	4,035,721	1,220,512	—	65,401,874
Residents abroad	1,382,930	17,411	106,406	517,859	310,010	629,485	1,069,289	—	4,033,390
Public sector deposits	230,784	—	35	3,797	16	180	59	—	234,871
Commercial deposits	6,795,962	—	4,835,125	17,433,057	2,765,952	1,302,572	333,090	—	33,465,758
Other institutions deposits	103,771	—	81,880	2,400,983	785,374	423,524	575	—	3,796,107
Precious metals vault	488,106	—	43,940	309,337	19,931	31,543	7,532	—	900,389
Bank deposits	613,650	42,914	5,559,697	971,004	275,121	670,239	39,489	—	8,172,114
The CBRT	—	—	—	—	—	—	—	—	—
Domestic banks	1,931	—	5,329,588	392,639	117,925	19,278	4,170	—	5,865,531
Foreign banks	181,583	42,914	230,109	578,365	157,196	650,961	35,319	—	1,876,447
Participation banks	430,136	—	—	—	—	—	—	—	430,136
Other	—	—	—	—	—	—	—	—	—
Total	**27,182,256**	**81,655**	**21,205,536**	**89,168,558**	**9,301,063**	**7,303,153**	**2,845,489**	**485**	**157,088,195**

As of 30 September 2019, the weighted average interest rate on Turkish Lira denominated time deposit accounts offered by the Group to customers was 19.10%, while the interest rate paid on both euro and U.S. dollar denominated time deposits was 4.95% and 7.37%, respectively.

The following table sets out the currency basis analysis of the deposits/collected funds (including interest expense accruals for all deposits) as of the dates indicated:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(TL, thousands)		
TL	93,953,552	92,742,975	75,881,343	84,238,259
U.S.$	76,166,810	73,312,671	62,080,155	45,039,420
Euro	43,259,850	40,688,125	32,572,722	25,360,322
Other	5,107,936	3,547,702	2,849,413	2,450,194
Total	**218,488,148**	**210,291,473**	**173,383,633**	**157,088,195**

Other Borrowed Funds

The following table sets out a breakdown of the Group's other borrowed funds as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Central Bank	—	—	—	—	—	460,152	—	418,480
From domestic banks and institutions	1,869,969	2,342,845	1,319,479	1,653,153	1,751,398	1,155,868	985,663	1,387,972
From foreign banks, institutions and funds	62,804	40,116,870	10,117	44,089,253	541,432	38,441,203	381,767	27,334,892
Total	**1,932,773**	**42,459,715**	**1,329,596**	**45,742,406**	**2,292,830**	**40,057,223**	**1,367,430**	**29,141,344**

The following table sets out the maturity profile of the Group's borrowings over expected cash flows (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Short-term	1,803,430	13,069,325	1,303,939	13,622,616	1,720,619	1,444,438	732,279	2,896,348
Medium and Long-term	129,343	29,390,390	25,657	32,119,790	572,211	38,612,785	635,151	26,244,996
Total	**1,932,773**	**42,459,715**	**1,329,596**	**45,742,406**	**2,292,830**	**40,057,223**	**1,367,430**	**29,141,344**

The Group has entered into a number of Turkish Lira/Turkish Lira and foreign currency financings with banks and other financial institutions, which have an average maturity of 12 months.

As of 30 September 2019, the Group had funds borrowed of TL 44,392,488 thousand.

Debt Securities in Issue

The following table sets out a breakdown of the Group's debt securities in issue as of the dates indicated:

	As of 30 September		As of 31 December					
	2019		2018		2017		2016	
	TL	FC	TL	FC	TL	FC	TL	FC
				(TL, thousands)				
Bills	3,775,342	—	1,373,498	—	1,212,509	107,682	1,399,791	86,665
Asset backed securities	—	3,689,885	—	3,835,712	—	8,278,912	—	6,564,507
Bonds	1,743,376	17,219,182	2,526,863	13,706,130	3,584,201	10,094,567	2,591,092	7,438,412
Total	**5,518,718**	**20,909,067**	**3,900,361**	**17,541,842**	**4,796,710**	**18,481,161**	**3,990,883**	**14,089,584**

Derivatives

The Group also enters into interest rate and foreign exchange swap and future contracts, which are agreements to hedge its interest rate and foreign currency exposure risk. The following tables set out certain information on consolidated options, futures and swaps as of the dates indicated, prepared in accordance with BRSA Principles:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
Types of derivative transactions				
Foreign currency related derivative transactions	**183,254,517**	**194,070,768**	**272,445,632**	**137,959,963**
FC trading forward transactions	16,328,679	19,278,968	26,814,743	15,273,549
Trading swap transactions	157,314,253	**161,325,028**	**221,673,551**	**105,096,276**
Futures transactions	349,553	—	—	—
Trading option transactions	9,262,032	13,466,772	23,957,338	17,590,138
Interest related derivative transactions	**110,711,188**	**87,798,512**	**56,251,434**	**49,251,952**
Forward interest transactions	—	—	—	—
Interest rate swaps	107,081,214	83,986,144	54,129,790	47,580,058
Interest rate options	3,629,974	3,812,368	2,121,644	1,671,894
Interest rate futures	—	—	—	—
Other trading derivative transactions	**31,872,026**	**24,682,146**	**21,267,164**	**18,267,410**
Total trading derivative transactions	**325,837,731**	**306,551,426**	**349,964,230**	**205,479,325**
Types of hedging derivative transactions				
Transactions for fair value hedge	4,183,166	4,266,224	3,295,553	2,658,411
Cash flow hedges	96,928,680	92,994,503	70,586,749	50,014,021
Transactions for foreign net investment hedge	—	—	—	—
Total hedging related derivatives	**101,111,846**	**97,260,727**	**73,882,302**	**52,672,432**
Total derivative transactions	**426,949,577**	**403,812,153**	**423,846,532**	**258,151,757**

RECENT DEVELOPMENTS

Unicredit and the Koç Group Announce Changes to the Bank's Ownership Structure

On 30 November 2019, UniCredit and the Koç Group announced an agreement to change the Bank's ownership structure (the "**announced transaction**"). According to the agreement, UniCredit's stake in the Bank is to reduce to 31.93% (held directly by UniCredit) while the Koç Group's stake is to increase to 49.99% (9.02% to be held directly and 40.95% indirectly). The remaining approximately 18% stake is to continue to trade on the Borsa Istanbul.

Following the successful completion of the transaction, the Koç Group will be the controlling shareholder and will have the power to appoint board members and senior executives of the Bank and determine the outcome of most matters to be decided by shareholders' resolutions.

The announced transaction is part of Unicredit's on-going strategy to simplify its shareholdings and optomise its capital allocation.

The announced transaction, which is subject to regulatory approvals, is expected to close in the first half of 2020.

S&P and Moody's each affirmed the Bank's current rating and outlook as a result of the announced transaction on 5 December and 4 December 2019, respectively, whereas on 13 December 2019 Fitch revised the Group's outlook from stable to negative, noting that Fitch cannot reliably assess the Koç Group's ability to provide support though it believes the Koç Group would have a high propensity to provide support to the Group, in case of need.

BUSINESS OF THE BANK

Overview

Yapı ve Kredi Bankası A.Ş. is a full service bank with its headquarters in Istanbul, Turkey. It was established on 7 July 1944 and is incorporated with limited liability under the Turkish Commercial Code, the Banking Law and the Capital Markets Law for a period of 100 years.

According to BRSA statistics, as of 30 September 2019, the Bank was the third largest private bank in Turkey by total assets and ranked third among private banks in total cash loans (loans other than letters of guarantee, letters of credit and acceptances) with a 16.9% market share among private banks and an 8.8% market share in the overall banking sector (compared with a market share of 9.2% as of 31 December 2018, 9.5% as of 31 December 2017 and 10.2% as of 31 December 2016), and third among private banks in total deposits with a 9.2% market share (compared with a market share of 10.0% as of 31 December 2018, 10.0% as of 31 December 2017 and 10.6% as of 31 December 2016). As of 30 September 2019, the Bank had 854 branches covering all regions of Turkey (including one branch in Bahrain). It maintains market leading positions in key segments and products supported by its strong franchise, large network and leading brand. The Group is organised into three segments: (i) retail banking, (ii) corporate and commercial banking and (iii) private banking and wealth management. The Bank's service model is supported by its domestic and international subsidiaries. The Bank's shares are listed on the Borsa Istanbul.

As of 30 September 2019, the Bank held leading market positions in Turkey in credit cards (19.4% market share in credit card outstanding volume according to the BRSA statistics. As of 30 September 2019, the Bank also had strong positions in mutual funds (ranked third, with a 13.6% market share according to Rasyonet), and non-cash loans (ranked first among private banks with a 19.6% market share, as of 30 September 2019, according to the BRSA statistics).

The Bank has a strong presence in retail banking. As of 30 September 2019, the Group had TL 77.5 billion (U.S.$13.4 billion) of assets in its retail banking segment (including card payment systems, SME banking, individual banking as well as private banking), amounting to 20% of the Group's total assets. Retail banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans and mortgages), commercial installment loans, SME loans, SME banking packages, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, we offer priveliges to customers who receive their monthly salary or SSI payments through the Bank. Card payment systems includes the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. The Bank's "World" brand and shopping and marketing platform of the Bank includes card brands known as "Crystal", "Play", "Adios" and "Taksitçi" that provide services for the Bank's different segments. Through its private banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, derivative products—such as forwards, futures and options—in domestic and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal advisory services (for example, with respect to art, inheritance, real estate, tax, education and philanthropy) are offered within the private banking and wealth management activities. Customers are also provided with investment advisory and portfolio management services through the Group's portfolio management and brokerage subsidiaries.

The corporate and commercial banking segment is organized into three subgroups: corporate banking for large-scale companies, commercial banking for medium-sized enterprises and multinational companies banking for multinational companies. In corporate and commercial banking, the Bank is focused on higher yielding mid-commercial and project finance loans. The Bank provides a wide range of financial products and services to corporate and commercial customers, which include large Turkish corporates and trade companies. As of 30 September 2019, the Bank had 43.7 thousand corporate and commercial customers. Corporate and commercial banking, has a product range of working capital, finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

The Bank also conducts treasury operations, covering Turkish Lira and foreign currency fixed income, money market instruments and currency and interest rate swaps and other derivatives, both for its own account and for the account of its customers.

As of 30 September 2019, the Bank had the sixth largest branch network in Turkey (third largest among private banks) according to the Turkish Banking Association with 854 branches spread throughout Turkey, including one branch in Bahrain (representing an 8.3% market share). While the Bank's branch network covers all regions in Turkey, as of 30 September 2019, most of the branches were in the larger cities, with 67% of the Bank's branches being located in the ten largest cities (including Istanbul, Ankara, Izmir, Antalya, Bursa, Konya and Adana). According to BRSA statistics, the Bank's market share in the ten largest cities in Turkey as of 30 September 2019 in terms of branches was 9.5% compared with 9.3% for 31 December 2018, 9.2% for 31 December 2017 and 9.6% for 31 December 2016.

In addition to its branch network, the Bank offers products and services through a wide array of alternative distribution channels ("**ADCs**") including 4,352 ATMs, 100% of which are "advanced" ATMs with cash deposit functionality (the fifth largest ATM network in Turkey with an 8.6% market share according to the Interbank Card Centre), award winning digital banking with 6.1 million customers as of 30 September 2019, a leading position in mobile banking with 5.5 million customers as of 30 September 2019, as well as three award-winning call centres, according to the Turkish Banking Association. See "*—Distribution—Alternative Channels*". As of 30 September 2019, the Group had 17,798 employees, of which 16,950 were employees of the Bank (representing 8.9% market share). This compares to 18,448, 18,839 and 19,419 employees as of 31 December 2018, 31 December 2017 and 31 December 2016, respectively, of which 17,577, 17,944 and 18,366 were employees of the Bank. Internationally, the Group carries out business through subsidiaries in the Netherlands, Azerbaijan, Malta and a branch in Bahrain

The Group had total assets of TL 397 billion (U.S.$70.1 billion) as of 30 September 2019, compared with TL 373 billion as of 31 December 2018, TL 320.1 billion as of 31 December 2017 and TL 271.1 billion as of 31 December 2016.

According to the consolidated Interim BRSA Financial Statements for the nine month period ended 30 September 2019, the Group had operating income of TL 10,159 million (U.S.$1,795 million), compared to TL 13,352 million for the year ended 31 December 2018, TL 7,959 million for the year ended 31 December 2017 and TL 7,092 million for the year ended 31 December 2016. For the period ended 30 September 2019, the Group's cost to income ratio was 34% and operating cost growth was 13% year-over-year. For the year ended 31 December 2018, the Group's cost to income ratio was 33% compared to 42% in 2017. As of 30 September 2019, the Group's costs divided by average assets ratio realised at 1.4% versus 1.9% as of 31 December 2018. The Group's fees divided by operating costs ratio reached 75% in the period ended 30 September 2019.

The Group aims to be a customer-centric commercial bank driven by cutting edge technology and a committed workforce, delivering responsible growth. A main strategy of the Group is achieving best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns.

The Group's net profit realised at TL 3,337 million and its return on average tangible shareholders' equity (excluding intangible assets) was 11.8% for the nine months ended 30 September 2019, compared with TL 4,668 million and 14.2% for the year ended 31 December 2018, TL 3,614 million and 13.6% for the year ended 31 December 2017 and TL 2,933 million and 12.7% for the year ended 31 December 2016. The banking sector's return on average tangible shareholders' equity was 10.8%, 13.8%, 15.1% and 14.2% for the nine months ended 30 September 2019 and for the years ended 31 December 2018, 2017 and 31 December 2016, respectively. As of 30 September 2019, the Group's return on average assets ratio was at 1.2%, compared to 1.4% as of 2018 and 1.2% as of both 2017 and 2016 year-end.

As of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the Bank's capital adequacy ratio was 17.8%, 16.1%, 14.5% and 14.2%, respectively, on a Bank-only basis. As of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the Bank's common equity tier-1 ratio was 14.5%, 12.4%, 10.9% and 10.6%, respectively, on a Bank-only basis. On a consolidated basis, the Group's capital adequacy ratios stood at 16.7%, 14.8%, 13.4% and 13.2% as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, respectively, while common equity Tier-1 ratios were 13.6%, 11.4%, 10.0% and 9.7% as of the same dates. The banking sector's capital adequacy ratios stood at 18.0%, 16.9% and 16.5% as of 30 September 2019, 31 December 2018 and 31 December 2017, respectively.

Key Competitive Advantages

The Group's management believes that the Group has a number of key competitive advantages that enable it to compete effectively in the Turkish banking sector, including:

- **Leading market positions in key segments and products.**

  The Bank is the second largest privately owned bank in Turkey by assets, with leading market positions in Turkey in credit cards (with a market share of 19.4% in credit card volume as of 30 September 2019).

- **Robust and customer-oriented balance sheet.**

  The Group has total assets that incorporate a high proportion of loans (56% as of 30 September 2019) and a low proportion of securities (14% as of 30 September 2019).

  The Group aims to reduce the concentration in lending and deposits and spread out with smaller tickets. The Group is focused on improving its loan book mix towards more value generating areas. In this respect the Bank maintains a balanced growth mix among lower value lending, whilst lowering the share of larger (corporate and commercial) lending on its loan book.

- **Large network and leading brand.**

  As of 30 September 2019, the Bank had 854 branches (including one branch in Bahrain, but excluding its international presence through its overseas subsidiaries; the Group had 886 branches including its international presence). As of 30 September 2019, the Group had a solid distribution platform, including the sixth largest branch network in Turkey according to the Turkish Banking Association, with a market share of 8.3% (as compared to 8.2% as of 31 December 2018, 8.2% as of 31 December 2017 and 8.8% as of 31 December 2016). As of 30 September 2019, the Group had innovative ADCs including 4,352 ATMs, 100% of which are "advanced" ATMs with cash deposit functionality (the fifth largest ATM network in Turkey with an 8.6% market share according to the Interbank Card Center (BKM) (8.6% as of 31 December 2018, 8.6% as of 31 December 2017 and 8.9% as of 31 December 2016). Digital banking with 6.1 million active customers, a leading position in mobile banking with 5.5 million active customers according to the Turkish Banking Association as of 30 September 2019, as well as three award winning call centres. The Group's share of main banking products sold through digital platforms is 96% as of 30 September 2019.

- **Strong commitment to risk management.**

  The Group has a conservative risk management strategy with solid credit risk infrastructure, underwriting and monitoring systems. The Group avoids speculative open foreign exchange positions and maintains liquidity ratios well above the regulatory levels. As of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the Bank's capital adequacy ratio according to the BRSA statistics was 17.8%, 16.1%, 14.5% and 14.2%, respectively, on a Bank-only basis. As of 30 September 2019, the Group had limited intragroup exposure, at 10.5% of its capital, as compared with the 20% regulatory limit. The Group's loan book is diversified, with its top 20 loans amounting to only 15.2% of its loan book as of 30 September 2019.

- **Diversified, high quality revenue mix.**

  The Group believes it has a sustainable revenue base, with a high share of fees in total revenues amounting to 26% for the nine months ended 30 September 2019, and that it has the capacity to effectively manage net interest margin through dynamic pricing. The Group aims to reduce its concentration in lending and deposits, spreading out with smaller tickets, and focus on transaction banking in commission generation.

- **Strong and committed shareholders.**

Support from Koç Holding and UniCredit provides stability and helps to maximise the Bank's growth potential. The UniCredit Group, with roots dating back to 1473, is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets. The Group benefits from UniCredit's know-how and expertise in risk management, internal audit, financial planning and control as well as from the UniCredit Group's experience in implementing efficiency improvements and cost management. Koç Holding, established in 1926, is the largest conglomerate in Turkey. It has strong positions in the energy, automotive and finance sectors in Turkey as well as in consumer durables both domestically and internationally, enabling potential synergies with the Group. As of 30 September 2019, the Group had limited intragroup exposure, at 10.5% of its capital, as compared with the regulatory limit of 20%.

On 30 November 2019, Unicredit and the Koç Group announced an agreement to change the Bank's ownership structure. According to the agreement, UniCredit's stake in the Bank is to reduce to 31.93% (held directly by Unicredit) while the Koç Group's stake is to increase to 49.99% (9.02% to be held directly and 40.95% indirectly). The remaining approximately 18% stake is to continue to trade on the Borsa Istanbul. See "*Recent Developments*".

Strategy

As a fully integrated banking and financial services group, the Bank is working towards its mission is to ensure long-term sustainable growth and value creation for all stakeholders and to become the first choice for customers and employees.

Principles

The Bank's strategy is structured around three main principles:

Healthy and consistent growth

- Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness, expansion of market presence and funding diversification to sustain long-term performance.

Strong and sustainable profitability

- Address specific customer needs via segment-based service model, optimise cost to serve to improve competitiveness and maintain effective cost, risk and capital management.

Superior and long-lasting customer satisfaction

- Enhance an easy-to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty.

Key strategic objectives

The Bank aims to achieve a sustainable performance through sustained customer-orientation. The Bank expects to continue its strong performance through the following key long-term strategic pillars:

Growth and Commercial Effectiveness

- Value-generating loan growth with a focus on general purpose loans, mortgages and SMEs in retail lending, together with selective growth in corporate/commercial lending with a focus on higher yielding mid-commercial and project finance.
- Improvements in efficiency and cost containment alongside significant investments.
- Fee generation and customer penetration through continued focus on retail business and cross-selling.

Funding and Capital

- Emphasis on further strengthening deposit base and diversifying funding sources.

- Effective loan/deposit ratio management.
- Efficient capital utilisation with a focus on targeted growth in value generating segments and capital strengthening actions.

Efficiency and Cost Optimisation

- Disciplined cost approach and lower cost to serve.
- Optimisation of physical presence.
- Multi-channel approach and continuation of investments in growth initiatives with increased development of ADCs as sales channels.

Risk Management

- Dynamic and proactive portfolio management.
- Investments/enhancements to maintain cost of risk through the cycle levels.
- Early collections via capacity increase.
- Continuous enhancements of risks systems, especially in consumer and SME segments.
- Further improvements in quality of new loan generation.

Sustainability

- Customer/employee satisfaction and loyalty.
- Investments in technology and innovation.
- Enhance easy to work with approach.
- Acceleration of customer acquisition, penetration and activation.

Business Plan

The Bank's strategy is to be a customer centric commercial bank driven by cutting edge technology and a committed workforce, delivering responsible growth and achieving best-in-class profitability, backed by a strong balance sheet, resulting in enhanced and sustainable shareholder returns. On 26 April 2018, the Bank's Board of Directors approved the Bank's strategic business plan for the years 2018 to 2020, entitled 'Yapı Kredi Vision 2020' (the "**Business Plan**"). Over the period of the Business Plan, the Bank is targeting strategic goals that build upon its existing business strategy to achieve an improvement in return on average assets ("ROAA") and return on average tangible shareholder's equity ("ROATE").

Strengthen and optimise its capital position

The Bank is targeting to maintain a 200 basis-points CET 1 ratio buffer over the regulatory limits on an ongoing basis. Accordingly, based on macro scenario assumptions of the Business Plan, the Bank expects to have a CET 1 ratio, a Tier 1 ratio and a Capital Adequacy Ratio above 11.5%, 12.0% and 14.0% respectively, for the year ended December 31, 2020, primarily, based on the execution of the Capital Strengthening Plan that was approved by the Bank's Board of Directors on 26 April 2018 (the "**Capital Strengthening Plan**"). The Capital Strengthening Plan included two components:

- A domestic rights issue at nominal value, without restricting the statutory pre-emption rights of its existing shareholders, in the amount of TL 4,100,000 thousand, which increased its issued share capital by 94.31680%, from TL 4,347,051 thousand to TL 8,447,051 thousand. The domestic rights issue was completed and registered with the İstanbul Trade Registry on 29 June 2018.

- An issuance of Perpetual Fixed Rate Resettable Additional Tier 1 Notes eligible for inclusion as Additional Tier 1 capital of the Bank. For a description of regulatory requirements in relation to Additional Tier 1 capital requirements, see "*Turkish Regulatory Environment*".

On 30 April 2018, as part of the Capital Strengthening Plan, the Bank requested approval from the relevant authorities for a paid-in share capital increase, which was completed on 29 June 2018. As a result, the Bank's new issued share capital reached TL 8,447,051 thousand. The domestic rights issue was 94.3% subscribed.

In January 2019, the Bank raised U.S.$650 million worth of additional Tier 1 capital. The transaction marked the first time additional Tier 1 capital was raised by a Turkish deposit bank through the issuance of USD-denominated bonds with market participation. The additional Tier 1 capital issuance, which is callable once every 5 years, was conducted in the international markets and also with the participation of Koç Holding and UniCredit. The coupon rate for the transaction was set at 13.87%.

The two transactions both confirmed the confidence of main shareholders and international investors in the Bank as well as strengthening the Bank's capital structure as aimed within the Capital Strengthening Plan announced in 2018. The Bank has successfully completed the Capital Strengthening Plan, an important medium term goal of the Bank is to sufficiently strengthen its capital position to permit dividend payments while maintaining a sufficient capital buffer of at least 200 bps over CET1.

Additionally, in 2 July 2019, the Bank priced a floating–rate Tier-2 issuance to qualified investors, with a coupon rate of 3M TRLIBOR + 100 bps (6.3647% for the first coupon payment on 2 October 2019) with a transaction size of TL500m and an initial maturity of 10 years, callable at the end of the 5th year. On October 2019, the Bank issued Tier 2 notes totalling TL 300 million to investors in Turkey.

Sustainable revenue generation by rebalancing business mix

The Bank targets sustainable revenue generation through the rebalancing of the Bank's business portfolio. In relation to this target, the Bank is undertaking a number of strategic and operational steps:

- focusing on small ticket and higher value generating segments and products, with a focus on individuals and SMEs (including both loan and deposit initiatives, such as introducing individual consumer pricing, growing the number of payroll customers and targeting sub-segments within the SME sector). The Bank targets an increase in small ticket demand and individual deposits in order to control funding costs. In turn, the Bank also seeks to limit risk in its corporate portfolio by reducing concentration by borrower and sector,

- increasing the Bank's transactional banking and payment systems to strengthen fees by continuing to focus on growing all elements of the Bank's existing fee revenue streams (including both banking and non-banking services), and

- increasing the Bank's house-bank customer penetration together with ongoing new customer acquisition.

Efficiency gains by streamlining operations.

Furthermore, the Bank is expecting to continue with a balanced approach in terms of revenues and cost management. In order to achieve its cost targets, as well as the above-mentioned revenue and profitability targets, the Bank is undertaking a number of operation improvements, including:

- continuing its investment in digital transformation, which would involve increasing IT investments through 2020 to offer most of the Bank's products via digital channels and further increase the number of customers and transactions using digital channels;
- streamlining its operations with process automation and centralisation where feasible; and
- improving operational processes through service-channel improvements through a new central service model for mass and micro customers with dedicated relationship managers for higher-value consumer and corporate customers.

As a result of these investments and initiatives, the Bank seeks to significantly improve its loan per branch, loan per employee, deposits per branch and deposits per employee.

Asset quality optimisation

The Bank is expecting to reduce its total cost of risk through a combination of operational improvements and asset quality optimisation, including the following:

- improving its underwriting approach for its customers and products (which involve automating individual and micro SME customers while tailoring underwriting for larger loans),

- centralising risk monitoring and improving the Bank's collection processes (including further sub-segmentation of customer segments less than 90 days overdue and introducing additional KPIs), and

- actively managing its non-performing loan stock (with a continuing focus on NPL loan sales where appropriate as well a broader range of restructuring options).

The Business Plan (as defined above) includes, inter alia, targets and objectives in respect of most of the consolidated and divisional economic line items and indicators of the Bank's financial statements as well as statements with respect to its strategic goals and objectives. Although the Bank believes that the assumptions reflected in such forward-looking statements are reasonable, it does not provide any assurance with respect to such statements. The preparation of the Business Plan is based upon, inter alia, certain assumptions concerning future events that management expects to occur, and the actions management intends to take once the Business Plan is implemented. Such events and actions may not actually be realized, as they depend substantially on variables that management cannot control, and may involve situations that management cannot predict. As a result the targets and objectives in the Business Plan, and the assumptions underlying those targets and objectives, are by definition uncertain and actual results or events may differ materially from and be more negative than those that are implied in the targets and objectives.

Data used in the Business Plan are based on assumptions regarding the Bank's operations and results that are based on its current expectations regarding future events and are therefore subject to significant uncertainties that could cause the Bank's actual results to differ. These uncertainties include, inter alia, the Bank's ability to grow in terms of operating profit and net profit and to carry out investments and other transaction provided for in the Business Plan, the assumptions about trends in macroeconomic indicators, political and regulatory developments and other objectives and targets in the Business Plan. Should any of these uncertainties be realized or any of the key assumptions prove to be inaccurate, the Bank's actual results or events would likely differ materially from those expressed or implied in the targets and objectives. Further, the targets in the Business Plan exclude any possible impact from TFRS 16 which has been in force as of 1 January 2019 and the expected results assume the successful completion of the issuance of the Notes. In addition, the targets and objectives were derived in a modelling process based on certain further underlying assumptions, which may prove to be incorrect. Hence, there can be no assurance that the targets and objectives will eventually prove to be accurate and prospective investors should be aware that a number of factors, including factors beyond the Bank's control, might render achieving the targets and objectives set forth in the Business Plan difficult or impossible. You should not place undue reliance on the targets and objectives, which speak only as of the date that they were made.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that the Bank may issue in the future. The Bank does not undertake any obligation to release publicly any revisions to such forward-looking statements after the date hereof to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

History

The Bank in its present form results from the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in 2006. Yapı ve Kredi Bankası A.Ş. was established on 7 July 1944 as Turkey's first retail focused privately owned bank with a nationwide presence, and management believes it has played a pioneering role in the banking sector. Since its origins, the Bank has maintained a strong reputation in the banking sector leveraging on its customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey.

The following are a number of notable landmarks in the Bank's history:

- 1940s-1950s: The Bank gained a strong position as Turkey's first retail-focused private bank with a nationwide presence.
- 1960s: Introduced computerisation to the Turkish banking sector and played a pioneering role in developing long term project finance lending.
- 1970s: Led the way in the development of financial and international subsidiaries and became the first bank to be authorised to hold a foreign currency position in Turkey.
- 1980s: Introduced individual loans, credit cards, debit cards, ATMs and online banking systems; laid the foundations for today's corporate banking; established the first Turkish offshore bank in the Middle East and became the first Turkish bank to issue bonds and certificates in the international capital markets.
- 1990s: Initiated the first telephone banking service, introduced an advanced credit card infrastructure with loyalty point awards and instalments and was the first bank in Turkey to receive the ISO 9001 quality certification. In addition, the Bank developed its services infrastructure and modernised its corporate structure, human resources, education systems and market strategies to better suit the requirements of an increasingly technology driven environment.
- 2000s: Successfully completed its merger with Koçbank in October 2006, the largest merger in the Turkish banking sector, creating a strong retail franchise.
- 2014: Started a growth project to strengthen its market position through investments aimed at enhancing commercial effectiveness including an increase in headcount, ATMs and branches. In order to reach its objective, the Bank increased headcount by 1,850, opened 60 new branches and 606 new ATMs, introduced branchless service models, enhanced internet banking and undertook other projects to improve commercial effectiveness.
- 2015: Growth oriented investment strategy continued with the bulk of the investments completed. In the context of this strategy, the Bank increased its headcount by 811 people and opened 17 new branches and 584 new ATMs during 2015.
- 2016: With the investment phase completed in 2015, the harvest phase of the growth strategy began in 2016, with a focus on strong growth in profitability, ROE improvement and shareholders' equity. The Bank recorded profitability acceleration driven by its core business in 2016. The Bank's focus during the year was on maintaining scale with continuing remix, strong revenue generation via ongoing customer acquisition and disciplined cost control, heavily leveraging digitalisation as well as controlled asset quality.
- 2017: The Bank saw profitability to continue to improve, driven by a core banking focus, strict cost discipline, while heavily leveraging digitalisation and further improvement in asset quality. The Bank kept its market positioning stable compared with private banks, with a focus on a value generating mix. In terms of revenues, the Bank focused on ongoing outperformance supported by sustainable core banking activity, while pursuing with strict cost discipline its process of leveraging heavily on digitalisation and efficiency. Meanwhile, the Bank continued with its conservative and proactive asset quality approach to ensure an improvement in the performance, and focused on maintaining solid capital and liquidity positions.
- 2018: The Bank saw profitability continue to improve, driven by improvements in core revenue areas resulting from wider net interest margins and higher fee generation, and supported by ongoing cost discipline and stable running costs. The Bank maintained a conservative and proactive approach to managing asset quality, classifying several large loans as NPLs during the period where macro volatility was evident. At the same time, the Bank increased the coverage of Stage 3 loans with the intention to further continue NPL stock management. Furthermore, the Bank successfully finalised a capital injection of TL 4.1 billion during this period, further supporting its liquidity and capital positions.
- 2019 (through to 30 June 2019): During the first half of 2019, the Bank continued to focus on reducing concentration in lending and deposits, focusing on granularity and small ticket individual deposits, improving core revenues through successful management of the asset liability mix and pricing as well as solid fee generation through focus on transactional banking and payment systems. Within the period, the Bank sustatined a controlled cost management while continuing to implement a prudent asset quality approach in the challenging operating environment.

See “*Recent Developments*” for a description of announced changes to the Bank’s shareholder structure, which is expected to result in UniCredit reducing its stake in the Bank during the first half of 2020.

Following significant volatility in the Turkish currency and foreign exchange markets in 2001 and the collapse of several institutions, in 2002 the BRSA commenced an audit process that assessed the financial condition of all Turkish banks. Following this audit process, in January 2003 the BRSA, the SDIF and the Çukurova Group, which was then the Bank’s largest shareholder, entered into an agreement under which the SDIF took certain protective measures and it was agreed that shares of Yapı ve Kredi Bankası A.Ş. previously owned or controlled by the Çukurova Group (57.4% in aggregate) would be sold within two years.

Koçbank was founded in 1981 as the American Express Bank, based in Istanbul. Koç Holding acquired a 51% stake in the American Express Bank in 1986, renaming it Koç American Bank, and in 1992, the bank became a wholly owned subsidiary of Koç Holding and was renamed Koçbank A.Ş. KFS was established in March 2001 as a management company and all financial services companies owned by Koç Holding, including Koçbank, were united under KFS. In October 2002, Koç Holding and UniCredit signed a joint venture agreement and became joint shareholders in KFS (each with a 50% interest), making KFS the first foreign partnership to be established in the financial sector in Turkey.

Under the management of UniCredit and Koç Holding, Koçbank underwent a significant restructuring process and began a period of organic growth. By 2005, Koçbank had over 170 branches and had developed its own expertise in private banking, asset management and corporate and commercial banking, leasing and factoring companies.

In January 2005, pursuant to its agreement with the BRSA and the SDIF, Çukurova Group sold 57.4% of the Bank’s shares to KFS. In April 2006 Koçbank acquired a further 9.9% of the Bank’s shares, taking Koçbank’s interest in the Bank to 67.3%.

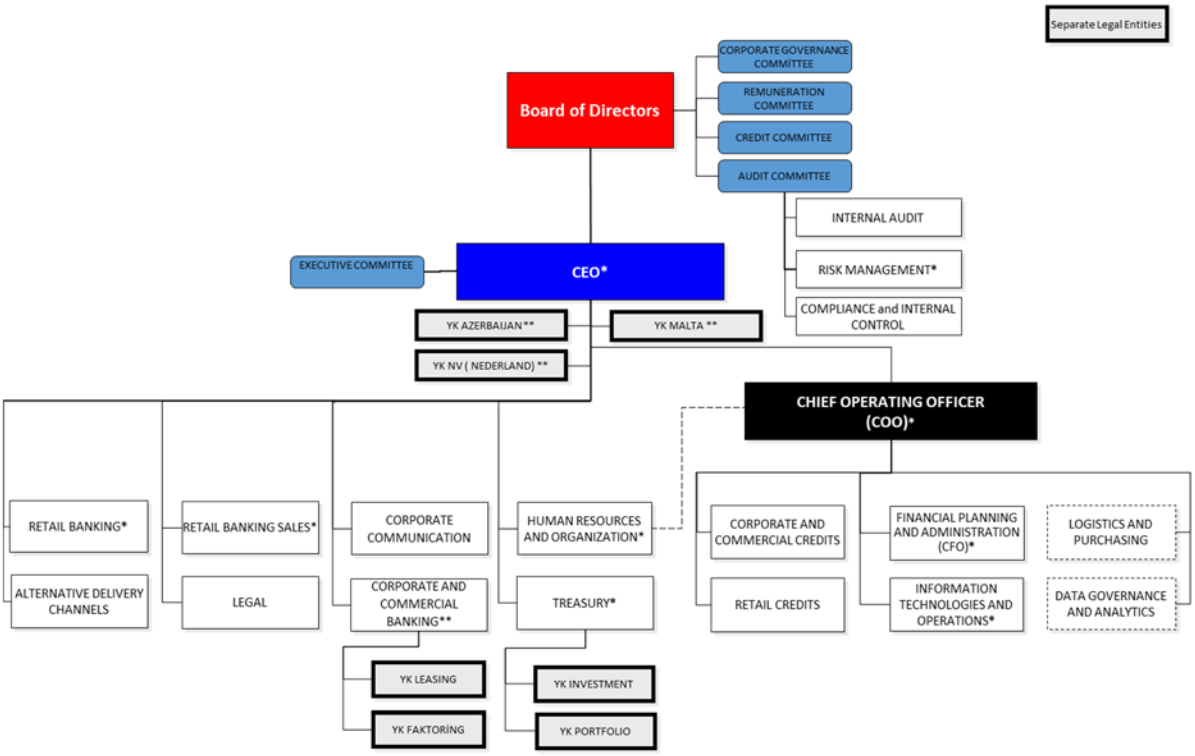
In October 2006, Yapı ve Kredi Bankası A.Ş. was merged with Koçbank, when Koçbank was dissolved and its rights, receivables, obligations and liabilities were transferred to Yapı ve Kredi Bankası A.Ş., with the combined legal entity continuing under the name Yapı ve Kredi Bankası A.Ş. The merger between Koçbank (eighth largest bank) and Yapı Kredi (seventh largest bank) formed the new Yapı Kredi, which became the fourth largest private bank.

Overview of Banking Products and Services

The Bank’s operations are carried out through two main segments: (1) retail banking, which includes the Bank’s card payment systems, individual banking, private banking and wealth management and SME banking and (2) corporate and commercial banking. The Bank’s service model is supported by its domestic and international subsidiaries.

Organisational structure

The following chart represents the Bank's organisational structure as of 31 July 2019, including its subsidiaries' structures.



* Executive Committee Permanent Member.

** In YK NV, YK Azerbaijan and YK Malta Corporate and Commercial Banking Assistant General Manager to be Board Member and to be accountable for results to foster synergies.

Retail Banking

Overview

The Bank's retail banking division consists of the following segments: credit card, individual banking (and the mass and blue class sub-segments) and SME banking businesses.

As of the date of this Base Prospectus, retail banking was one of the key growth areas for the Bank, especially in general purpose loans, credit cards, mortgages, asset gathering (deposits and mutual funds) and pension funds. As of 30 September 2019, the Bank's retail banking division served approximately 10.1 million active retail customers which were serviced by 2,330 retail relationship managers, through 777 retail branches.

In the Turkish retail banking market, as of 30 September 2019, the Bank was the market leader in terms of credit card volume outstanding, number of credit cards, and commercial cards volume outstanding and credit card acquiring turnover. The Bank ranked second in credit card issuing. As of 30 September 2019, the Bank was the sixth largest bank in terms of consumer loan volume and the fifth largest bank in terms of deposit volume according to BRSA financials. Income from the Bank's retail banking activities comprises primarily interest income from loans to individuals and SMEs and commission income from loans, credit cards, point of sale business and other banking transactions. As of 30 September 2019, the Group had loans in its consumer segment (excluding credit cards) of TL 33,202,510 thousand (U.S.$5,867,101 thousand) compared to TL 32,623,117 thousand (U.S.$6,201,052 thousand) at 31 December 2018, TL 34,526,239 thousand (U.S.$9,153,540 thousand) at 31 December 2017 and TL 31,077,936 thousand at 31 December 2016.

The Bank offers its retail customers a broad range of products and services, including general purpose loans, auto loans, credit, debit and prepaid cards, payment and collection services, deposit and overdraft accounts, asset management products, scrap gold collection, working account, platinum fund, İlk param, cross sell screens, pre-approved loan, packages, ATMs, telephone banking, internet banking and mobile banking and life and non-life insurance products. The Bank introduced some of these products and services to the Turkish banking industry, including consumer loans, credit cards, overdraft accounts, telephone banking, ATMs and POS terminals, and the Bank's management believes that the Bank has been a pioneer in retail banking in Turkey.

Retail Customer Segmentation

Within the retail banking division, the Bank's customers are divided into four categories to facilitate customer management and to allow a clear and focused approach for responding to different groups' behaviours and needs. These three categories are: mass, mass affluent and blue, each a sub-segment within individual banking, and the SME segment (comprised of companies).

Individuals are segmented mainly by the value of their assets with the Bank and/or the amount of their monthly salary, while SME customers are segmented according to their annual turnover. Mass customers are individuals with total personal financial assets of up to TL 200,000 or a monthly salary below TL 20,000. Blue customers are individuals with total personal financial assets of TL 200,000 and above, a monthly salary of 20,000 TL and above, or a credit card limit of TL 50,000 and above. SMEs are customers with annual turnover of less than U.S.$10,000,000.

Cards Payment Business

The Bank was the first bank in Turkey to issue credit cards, starting in 1988. Since then, it has been one of Turkey's leading issuers and acquirers of credit cards and this remains an important focus for the Bank.

The Bank has maintained non-exclusive agreements with Visa International since 1981, Visa Europe since 2009 and MasterCard International since 1988.

The Bank has been the leader in credit cards for the last 31 years with strong brand recognition and a loyal customer base. The Bank's credit card programme, World, is the fifth largest in Europe and 53rd largest in the world according to the Nilson Report. According to the Nilson Report in 2017, the Bank's credit card programme, World, is the largest credit card programme in Turkey and in Continental Europe in terms of outstanding volume.

Card Payment Products

As of 30 September 2019, the Bank maintained its leadership both in credit card stock and outstanding volume, which had approximately 12.0 million credit cards (including virtual cards) issued, representing market shares of 17.47% in Turkey by number of cards, according to the Interbank Card Centre, and 19.4% market share by outstanding balance, according to BRSA statistics, respectively. The Bank's outstanding credit card receivables (including commercial cards) amounted to TL 29.3 billion (U.S.$5.2 billion) as of 30 September 2019.

The Bank focused on special campaign offers to commercial credit card customers to enhance cash flow management and synergies with SME banking. In terms of issuing volume, the commercial credit cards market grew from TL 115.6 billion (U.S.$38.3 billion) as of 31 December 2016, to TL 144.5 billion (U.S.$38.3 billion) as of 31 December 2017, to TL 189.7 billion (U.S.$36.1 billion) as of 31 December 2018, however falling to TL 159.2 billion (U.S.$28.1 billion) as of 30 September 2019. Moreover, in terms of outstanding volume, the commercial credit cards market grew from TL19.8 billion as of 31 December 2016, to TL 25.1 billion as of 31 December 2017, to TL 31.4 billion (U.S.$6 billion) as of 31 December 2018 and further to TL 35.8 billion (U.S.$6.3 billion) as of 30 September 2019. Meanwhile, the Bank maintained its leadership position in terms of commercial card turnover volume with 20.3% market share and commercial card outstanding volume with 23.9% market share as of 30 September 2019.

Credit card customers are an important source of new business for the Bank, as a credit card is often the first of the Bank's products acquired by a customer. The Bank endeavours to cross sell its credit card customers other products and services utilising advanced marketing techniques, including customer relationship management programmes and database marketing systems with its merchant network to increase sales. As of 30 September 2019, the Bank's credit card division was served by a sales team comprising 225 sales people throughout various regions in Turkey.

The Bank's own credit card brand, Worldcard, was launched in 1991. In 2002, following changes in both card technology and customer preferences, the Bank re-launched the Worldcard brand by allowing the card to be used with merchants in the Bank's merchant network to purchase items on instalment plans and offered a new Worldcard loyalty programme. The Bank offers a wide variety of credit cards, each targeted at a specific range of customers. Listed below are some examples of the Bank's cards payment products and a brief description of their features:

- **Worldcard**

  Worldcard is the Bank's mass credit card with instalment, loyalty point and cash advance options.

- **World Gold Card**

  World Gold card is the second tier card in the World portfolio, offering the same benefits as the Worldcard but considered to be more prestigious. World Gold card provides purchase protection insurance and assistance services to cardholders such as medical consulting, homecare services, and an information line for social activities, restaurants and hotels.

- **World Platinum Card**

  World Platinum card is the most prestigious credit card in the World portfolio. Customers with a minimum monthly income of TL 5,000 can apply for a World Platinum card.

- **adios Card**

  Adios card specifically targets customers who travel frequently. Adios cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- **adios Premium Card**

  Adios Premium card targets the platnum traveller segment with a minimum monthly income of TL 8,000. Adios Premium cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- **Crystal Card**

  Crystal card is the most prestigious credit card in the Bank's credit card portfolio which is offered to a limited number of distinguished clients. Crystal cards offer several privileges to cardholders ranging from private concierge services to travel privileges, as well as other services such as insurance.

- **Opet Worldcard**

  Opet Worldcard is a co-branded credit card in co-operation with Opet Gas Distribution Company. Opet Worldcard targets customers that have regular fuel consumption. Besides including all the benefits of the Worldcard, customers are rewarded with fuel points that can be only redeemed at Opet Stations.

- **Play Card**

  Play Card specifically targets the youth segment and university students can apply for Play Cards without declaring income. Play Card won the Best New Customer Proposition and The Best of The Best awards in the Visa Europe Member Awards 2009 held among all VISA Europe member banks. Play Card won three bronze awards in the Crystal Apple Turkish Advertisement Awards Competition media and digital categories for sponsorship projects.

- **taksitçi Card**

  The taksitçi card enables cardholders to take benefit from repaying in three instalments on purchases of TL 100 or above with merchants who are not members of the Bank's World network, as well as a further three instalments on purchases of TL 100 or above with merchants who are World members.

- **World Eko**

  The World Eko card has no annual card fee. World Eko card holders are able to benefit from instalment, loyalty points and cash advance options.

- **World Business Card**

  The World Business card meets the purchasing and cash advance needs of companies, combined with the World system advantages. Cardholders can gain "Worldpoints" and make instalment purchases at member merchants.

- **Turkish Airlines Corporate Club Card**

  The Turkish Airlines Corporate Club Card provides generous benefits such as interest-free instalment plans, discounts for tickets, special baggage allowances and access to VIP lounges in airports for SMEs, commercial and corporate customers.

- **Debit cards (TLcard, Platinum TLcard, Play TLcard and Business TLcard**

  TLcard is a debit card that can be used for banking transactions, cash withdrawals from ATMs and purchases at Visa, MasterCard or Troy merchants all over the world. TLcard collects "Worldpoints" from purchases at World merchants. Play TLcard is offered to customers aged 12-24 and Business TLcard is offered to all companies.

- **KoçAilem Card and KoçAilem TLcard**

  KoçAilem Card (credit card) and KoçAilem TLcard (debit card) is a co-branded card program by the Bank and Koç Holding designed for and only available to Koç Group employees, their families, retirees, and Koç University students.

  The card offers significant discounts at the Koç Group companies, such as Arçelik, Ford, and Koçtaş. Besides the financial benefits, cardholders are entitled to attend special, cardholder-only events, including film screenings and children's activities days.

- **Prepaid Cards (World Nakit, Play Nakit, World Nakit Sanal)**

  World Nakit Sanal is a virtual prepaid card launched in November 2018, and World Nakit and Play Nakit are physical prepaid cards launched in June 2019 that allow customers to spend only a preloaded amount. Customers do not have to open a bank account to use World Nakit, which can also be used for cash withdrawals from ATMs, for purchases and for e-commerce.

The Bank offers an instalment payment programme on its credit cards in conjunction with certain members of its merchant network, whereby cardholders are able to make instalment payments for their purchases and, provided the instalment payments are paid over the agreed time period, interest will not accrue on the amount of the purchase. The programme is only available where the Bank's cardholders make a purchase through one of the Bank's participating merchants, except where customers have the taksitçi card in which case a limited number of purchases may be made on an instalment basis, in applicable sectors.

The Bank's credit card business operates in accordance with the Bank Cards and Credit Cards Law enacted in 2006 (Law No. 5464), which requires that banks issue credit cards only upon request by a customer, either orally or in writing. Credit limits are set at an amount not exceeding twice the cardholder's average monthly salary for the first year the customer receives his first credit card from a Turkish bank, and an amount not exceeding four times the average monthly salary for the second year, if a sufficient limit is available. The Central Bank determines the maximum contractual and default interest rates of credit cards.

One of the Bank's major goals as a leading credit card platform in Turkey is to digitalise the credit card experience through the new "World Mobil" mobile application, which is transformed from the previous "Yapı Kredi Wallet" with a renewed user interface and user experience and new payment and card functions in January 2019. World Mobil is a marketing platform that provides an end-to-end digital card experience to its users through four main sections: Campaigns, Earnings, Yapı Kredi Pay, Card Management. Using the application, customers can view and enrol onto campaigns, access their shopping transactions, points, limits, cut-off dates for the accounts and payment deadlines.

We designed Yapı Kredi Pay to create a seamless payment experience without a physical or plastic card. This conversion started in 2015 with mobile payment solutions or near field communication ("**NFC**") technology. In February 2018, we launched quick-response code ("**QR code**") payment in order to ease the payment experience for e-commerce. In-Car Payment was first offered to our customers in May 2019 so they could make fuel payments without stepping out of their cars. In October 2019, we launched a new QR Code payment function at the point of service ("**POS**") using terminals that allow our card customers to pay with a QR Code in physical stores as well as on e-commerce.

Co-branding Partnerships

The Bank has credit card co-branding partnership agreements with Vakıfbank, Anadolubank and Albaraka Turk. These partnerships have helped the Bank's credit card brand World become Turkey's largest credit card network and marketing platform, with approximately 17 million credit cards.

In September 2012, the Bank introduced its World credit card programme in Azerbaijan. In recognition of the Bank's success in introducing the programme in Azerbaijan, it received the Best Marketing Campaign award from MasterCard. As of 30 September 2019, the Bank had issued over 78,702 World credit cards in Azerbaijan.

Merchant Network

The Bank has been a leader in total acquiring volume in the market over a number of years, with a market share of 18.8% as of 30 September 2019. The Bank's acquiring volume as of 30 September 2019 was TL 131.7 billion, as compared to TL 158.0 billion as of 31 December 2018, TL 138.2 billion and TL 125.3 billion as of 31 December 2017 and 2016, respectively. Additionally, as of 30 September 2019, the Bank's market share in terms of total POS terminals amounted to 15.7%. The Bank's number of POS terminals was a total of 726 thousand as of 30 September 2019, compared to a total of 686 thousand, 532 thousand and 554 thousand as of 31 December 2018, 2017 and 2016, respectively.

Developing its relationships with merchants is a key priority for the Bank. The Bank's large POS network enhances the Bank's retail transactions volume and provides added value to the Bank's cardholders through the various campaigns, promotions and loyalty programmes offered through the POS network and participating merchants.

In order to encourage customers to use the Bank's cards and to attract merchants to enrol in the Bank's World Platform, the Bank offers campaigns such as point rewards, discounts and other privileges to its customers. In order to digitalize the payment process between our customers and merchants, the Bank enabled QR code payment at the physical POS allowing customers to make payments with their World Mobile or Yapı Kredi Mobile applications even if they do not have their bank card or credit card with them.

Individual Banking

The Bank's individual banking activities are organised under mass and blue class sub-segments to enable the Bank to differentiate its services and to provide the most suitable products to different customer groups. As of 30 September 2019, the Bank provided individual banking services to approximately 8 million mass customers and approximately 167,716 thousand blue class customers, respectively.

The Bank's product offering to its individual customers includes a full range of payment products, (credited regular school payment product, bill/games/betting payments), overdraft and deposit accounts (time deposit, demand deposit, flexible time deposit, fund deposit, gold deposit, and 5D deposit, state supported dowry and housing deposits), scrap gold collection, investment products, mortgages, auto loans, general purpose loans, home improvement loans, education loans and auto loans, İlk Param, Kartopu, Foreign Exchange Saving and Gold Saving products, Smart Broker and Second Fund of Funds, as well as health insurance products.

The Bank offers customers in its mass segment a wide variety of products and services through diverse delivery channels including branches and a variety of alternative distribution channels such as internet and mobile banking portals, ATMs and call centres. As of 30 September 2019, the Bank's loans and receivables in its mass segment comprised 60% of its total loans and receivables to its retail customers and the Bank's deposits from customers in its mass segment comprised 38% of its total deposits from its retail customers.

As of 30 September 2019, the Bank's blue class customers were served by 384 relationship managers and a wide distribution network. In addition to the standard individual banking products offered to all individual customers, the Bank's relationship managers for blue class customers have expertise in investment and mortgage products. Blue class customers also benefit from the Bank's asset management and brokerage services. As of 30 September 2019, the Bank's loans and receivables in its blue class sub-segment comprised 2% of its total loans and receivables to its retail customers.

Mortgages

Mortgage loans are an important part of the retail banking business in the Turkish banking sector. As of 30 September 2019, 31 December 2018, 2017 and 2016 mortgage loans amounted to 7.2%, 7.6%, 8.8% and 9.1%, respectively, of aggregate loans in the Turkish banking sector, according to BRSA weekly data.

The Group's mortgage loan portfolio decreased slightly to TL 10,501,377 thousand as of 30 September 2019, compared to TL 12,468,234 thousand as of 31 December 2018, TL 13,913,407 thousand as of 31 December 2017 and TL 12,586,075 thousand as of 31 December 2016.

As of 30 September 2019, the Bank's mortgage loans represented 4.7% of the Group's total loans, compared to 5.7%, 7.0% and 7.1% as of 31 December 2018, 2017 and 2016, respectively.

The Bank's mortgage loan strategy is based on providing service to customers through the Bank's mortgage experts, developing dedicated branch and non-branch delivery channels and offering innovative mortgage products. The Bank's mortgage experts provide customers with mortgage products and provide consultancy for all aspects of mortgages including financial, legal, technical and tax related issues at branches.

The Bank has established a dedicated team within the mortgage department to work with real estate developers and improve the flow of new individual mortgage applications to the Bank. This programme has helped the Bank to strengthen its mortgage services through its relationships with real estate developers for 131 projects and 2,938 realtors.

Payroll Services

The Bank had 30,883 payroll companies and 2,192,587 payroll customers as of 30 September 2019 as compared to 30,781 payroll companies and 2,104,604 payroll customers as of 31 December 2018, 27,267 payroll companies and 2,096,708 payroll customers as of 31 December 2017 and 27,320 payroll companies and 1,845,362 payroll customers as of 31 December 2016. The Bank has established limited service branches in the locations where its payroll services customers work in order to provide convenient service. The Bank's management believes that the Bank enjoys a strategic strength in this area, which it intends to continue to develop and grow through cross selling of its products and services. In order to further increase its market share in this area, the Bank launched the Salary Customer Strategy Project in 2013, led by consultant firm BCG, which aims to develop a comprehensive payroll structure and growth strategy for the Bank. Payroll services have been an area of the Bank's focus as part of its strategy to focus on small ticket, retail and demand deposits and create cross sale opportunities.

Auto loans

The Group's auto loans (including both commercial instalment car loans and consumer car loans) comprised 0.5%, 0.6%, 0.8% and 1.0% of the Group's total gross loans as of 30 September 2019, 31 December 2018, 31 December 2017 and 2016, respectively.

The Bank has had an exclusive agreement with Ford Otosan since December 2007, which allows the Bank the exclusive right to provide FordFinans branded auto loans for Ford automobiles in Turkey and allows customers to apply for an auto loan directly from a dealership through an online application system. In 2016, the Bank started to utilise individual and in 2018 commercial auto loans at Ford Otosan dealers through the online system. The agreement excludes heavy commercial vehicles, fleet sales and sales for car rental companies.

Bancassurance

In 2013, Allianz bancassurance partnership combined the Bank's customer focused leading retail franchise with Allianz's global experience in developing and managing insurance products.

The Bank considers bancassurance an area with strong growth potential. As a bank with a significant retail market share the Bank has a large base of potential customers for both insurance and pension products. In 2015, the Bank integrated all its bancassurance products to its core IT system, which is expected to boost sales via branches whilst facilitating digital channel insurance sales (including sales via internet banking, mobile banking and call centres. As a result of the integration, time to market duration for new product developments is expected to diminish and the system's flexibility when adapting to new conditions is expected to increase. As the market initiator, the Bank offers its customers a life insurance bundle with credit via mobile banking. Online life insurance sales via mobile banking are a pioneer process for the bancassurance business in Turkey.

As of 30 September 2019, the Bank had 33.0% market share in health insurance, 9.9% in life, 3.7% in P&C and 13.2% in pension.

Business Banking, Small Enterprises and Medium Enterprises

SMEs (corporate customers with an annual turnover of less than U.S.$4,500,000) are an important segment for the Bank. As of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the Bank had over 2.0 million, 1.9 million, 1.6 million and 1.5 million SME clients, respectively.

In 2017, the Bank restructured its segmentation approach to serve the Bank's SME customer base more efficiently. Customers were segmented based on their size and diverse financial needs. Under the new segmentation criteria, the SME segment is divided into three sub-segments: (i) customers with an annual turnover of less than U.S.$175,000 are segmented as business banking, (ii) customers with an annual turnover between U.S.$175,000 and U.S.$520,000 are segmented as Small Enterprises, and (iii) customers with an annual turnover of more than U.S.$520,000 are segmented as Medium Enterprises and served accordingly in the Bank's branches.

Customer acquisition activities are supported by dedicated relationship managers for customer acquisition teams, namely "hunters", and Direct Sales Force ("**DSF**") teams whose sole purpose is to acquire new customers and create sales leads. The hunter teams act as key customer acquisition engines for the Bank, focusing on unique product bundles designed for SME customers.

As of 30 September 2019, the Bank's SME customers were served through a network of 1,822 dedicated relationship managers in the Bank's branches, 64 hunters and 211 DSFs in the Bank's SME banking centres, and are encouraged to utilise the Bank's alternative distribution channels such as internet banking, ATMs and operating out of call centres. The Bank also provides SME customers a similar range of products to those provided to corporate customers, as well as commercial purchasing cards specifically designed for SMEs.

In the first nine months of 2018, the Bank took part in three loan programmes in conjunction with supranational organisations to provide longer maturity and discounted interest rate funding for its SME customers. During this period, the Bank continued to cooperate with the Small and Medium Industry Development Organization ("**KOSGEB**") and with the CGF to provide government subsidised loans to small businesses. The Bank also took part in a new loan programme through the Turkish Residential Energy Efficiency Financing Facility, providing financing for vendors of energy-efficient white goods and renewable energy equipment vendors.

The Bank has named agricultural banking as a strategic sector and has developed various strategies and action plans during the last seven years. For example, a new agricultural marketing and sales team has been established under the SME and agricultural banking group and a new agricultural loan evaluation system was announced in January 2012. In addition, agricultural experts have been located throughout the Bank's regions, and the agricultural loan product range has been expanded by establishing specific loan types. Verimli Card, which is a special credit card for farmers, was relaunched in May 2014. In 2015, the Agricultural Value Chain was introduced as a business model aimed at obtaining the cash flow between Food Processor or Agricultural Product Producer Companies and Farmers and Traders. As of 30 June 2017, with the Bank's new segmentation structure, agricultural clients have started to be segmented within all SME sub-segments (micro-small-large) according to their annual turnovers. In 2017, 2018 and in the nine months ended 30 September 2019 the Bank utilized CGF guaranteed loans to agricultural customers. Yapı Kredi Agricultural Banking has focused on both mass customer and big customer acquisition through selling its products from huge product range to the Bank's customers as a main strategy.

SMEs globally encounter difficulties to access the financial services they require. To address this issue, the CGF was established as a joint-stock company in accordance with Turkish Commercial Code in 1994. Its shareholders are banks, KOSGEB and The Union Chambers and Commodity Exchanges of Turkey. The CGF provides access to finance for SMEs that are not eligible for bank loans due to insufficient collateral, by acting as a joint guarantor. Although the CGF's priority is to support SMEs, non-SMEs can also apply for CGF guarantees for certain programs.

There are two types of evaluation systems for CGF guaranteed loans:

- Portfolio Limit System: The CGF evaluates the credit worthiness of SMEs through its own specialists in addition to the Bank's process. In this system, in addition to the DGF's evaluation, the Bank may ask the SME for more information; and

- Portfolio Guarantee System: In this system, the CGF does not take part in the decision making process. The CGF bases its evaluation on the credit worthiness rating done by the Bank and does not conduct any further evaluation. In this system, the Bank has complete autonomy to extend loans with a CGF guarantee.

The scope of the guarantee differs according to the source of the guarantee. The source of the guarantee can be either the CGF's equity or treasury supported funds. Until 2017, the CGF had limited impact on the Bank's lending. In Feburary 2018, a cabinet decree was enacted allowing the CGF to provide Turkish Treasury guarantees up to TL 55 billion. This guarantee covers 80% of each loan granted to SMEs, 75% of each loan granted to non-SMEs, and 100% of each loan granted to exporters of each loan granted by a bank and is valid as long as the total NPL rate of the portfolio does not exceed a cap of 7%. In May 2018, an updated protocol was signed providing for a new TL 32.5 billion tranche, with guarantee coverage on loans of between 80 to 100%, subject to the same NPL rate portfolio cap of 7%. Under the updated protocol, the limit on the total value of guarantees that could be provided was lowered to TL 52.5 billion. The Bank continued to use the CGF program in the nine months ended 30 September 2019 as well. In January 2019 and March 2019, a total of TL 40 billion in loans were granted with an 80% guarantee limit. In June 2019, a new project with an 80% guarantee limit of TL 20 billion was launched.

Furthermore in mid-February 2017 the BRSA decided that the treasury supported CGF guarantees shall be considered a direct guarantee from the Turkish treasury. Following this decision, the risk of the portion of the loans covered by CGF guarantees will be calculated with the same risk weight as the Turkish treasury (or 0%), while the risk of the remaining portion of the SME loans with CGF guarantees (the portion not covered by the CGF guarantees) is calculated based on the client's segment information.

Private Banking and Wealth Management

The private banking division serves the Bank's high net worth and ultra-high net worth customers. The Bank's wealth management services are carried out by its subsidiaries Yapı Kredi Invest and Yapı Kredi Asset Management, providing asset management and brokerage services to the Bank's clients.

Private Banking

The Bank has a leading position in the private banking market in Turkey both in terms of total asset size, which amounted to TL 64 billion as of 30 September 2019 (including equity balance), and distribution network, private banking centres, branches, as well as remote services. Customers with personal financial assets in excess of TL 500,000 are serviced by the Bank's private banking division. The Bank considers a private banking customer to be active if they meet the active customer criteria (*i.e.*, having actual funds on the account and carrying out any transaction) at least once and are assigned to a portfolio within the last 1.5 years. As of 30 September 2019, 31 December 2018, 31 December 2017 and 2016, the Bank had 19,106, 18,908, 22,589 and 22,525 active private banking customers, respectively.

As of 30 September 2019, private banking customers were served by 139 private banking relationship managers through 21 private banking centres/branches. ADCs for the private banking segment also include a dedicated call centre team and a separate private banking web page on the Bank website.

The total volume of deposits managed by the private banking business amounted to TL 41.1 billion as of 30 September 2019, TL 41.1 billion as of 31 December 2018, TL 30.5 billion as of 31 December 2017 and TL 32.5 billion as of 31 December 2016. In assets under management in the mutual fund business, the Bank has 12.52%, 16.57%, 18.89% and 17.09% of the Turkish market, as of 30 September 2019, 31 December 2018, 2017 and 2016, respectively, according to Rasyonet statistics.

As of 30 September 2019, the private banking division provided a wide range of products and services, including 35 different types of mutual funds such as hedge funds, bonds and bill funds, variable funds, equity funds, a fund of funds, a precious metals fund, a participation fund, a mixed fund and a money market fund. The Bank launched a new FX Hedge Fund which customers can invest in USD for a certain maturity to gain fixed return. The Bank uses customer relationship management ("**CRM**") modelling tools in order to define eligible customers for different types of products such as securities, derivative products (forwards, futures and options), foreign exchange, gold and equity trading, insurance products, safe deposit boxes and e-banking services. The Bank also has affiliates and subsidiaries, which provide investment, advisory and portfolio management services, supported by the Bank's relationship with UniCredit and its subsidiaries (however, see "*Recent Developments*" for a discussion of the announced changes to UniCredit's stake in the Bank, which may impact the relationship between UniCredit and the Bank). The Bank also offers various advisory services through different and specialised business partners such as Tax Advisory, Art Advisory, Inheritance Advisory, Real Estate Advisory, Philanthropy Advisory, and Educational Advisory. Private banking customers are also entitled to a number of services such as ATM cash withdrawals up to five-times the normal daily withdrawal limit, invitations to events and concerts, a dedicated call centre line, customised internet and mobile tablet banking services, 24-hour emergency ambulance service and have access to seminars on pertinent issues relevant to their financial interests, including investments, financial markets and taxation and are kept informed on the economy and capital markets through daily emails.

Yapı Kredi Invest (Yapı Kredi Yatırım)

Yapı Kredi Invest provides institutional and individual investors with investment and advisory solutions, with strategies spanning asset classes, industries, and geographies. Yapı Kredi Invest's investment product range includes fixed income, public equities, commodities, derivatives and leveraged foreign currency trading operations. Additionally, it provides corporate finance advisory services with a dedicated team.

Yapı Kredi Invest has established one of the widest branch networks in Turkey, with a presence in nine cities in Turkey. It has three Sales Desks in İstanbul and eight branches in the cities as Adana, Ankara, Antalya, Balikesir, Bursa, Denizli, Izmir, Kayseri, and Samsun.

As of 30 September 2019, Yapı Kredi Invest was the top domestic brokerage house in Turkey, with a 12.78% market share in the equity market. Additionally, as of 30 September 2019, Yapı Kredi Invest had a 15.43% market share in the derivatives market.

Yapı Kredi Asset Management (Yapı Kredi Portföy)

Established in 2002, Yapı Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products, together with portfolio advisory and private fund establishment services. Yapı Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 59 employees as of 30 September 2019.

As of 30 September 2019, Yapı Kredi Asset Management offered 33 mutual and hedge funds and had total assets of approximately TL 11.2 billion. Its total market share for mutual funds stood at 13.61% as of 30 September 2019.

Yapı Kredi Asset Management also provides management services to 30 private pension funds. It had approximately 12.61% market share of the pension fund market in Turkey, with assets under management of approximately TL 14.5 billion as of 30 September 2019.

Corporate and Commercial Banking

As of 30 September 2019, the Bank served its corporate clients via three branches and 25 relationship managers, and it served its commercial clients via 46 branches and 364 relationship managers. Corporate and commercial customers are segmented mainly by the value of their annual turnover. Commercial customers are companies with an annual turnover of between TL 25 million to TL 500 million, while corporate customers are companies with an annual turnover of more than TL 500 million. Companies with turnover of less than TL 25 million are considered to be part of the Bank's SME segment and are managed within the retail banking division.

Recently, the Bank introduced new segmentation criteria for its corporate and commercial clients to better address their needs and provide tailored, client-specific services more efficiently. These criteria are based on the company's size and behaviour benchmarks such as the company's turnover (for potential client value), its international dimension (in order to assess the complexity of the relationship with the client), outstanding systems (to assess the size and complexity of the client's financial needs) and trade finance (as an indicator of the complexity and size of the client's business needs).

As of 30 September 2019, the Group's lending to the corporate and commercial sector comprised 63% of its total loan portfolio, while deposits from corporate and commercial customers comprised of 36% of the Group's total deposits.

The Bank provides additional services to its corporate customers including working capital financing, foreign trade finance, project finance, a variety of domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking and brokerage, factoring, leasing and insurance services. In addition, in non-cash loans, the Bank provides both domestic and foreign currency facilities to its customers, principally comprising guarantees in relation to imports and letters of credit in respect of trade financing activities.

The primary business lines in the commercial banking segment are working capital, financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities, cash management and e-banking services to mid-size and large corporates.

Net operating income for the corporate and commercial banking segment amounted to TL 4,419,172 thousand for the nine months ended 30 September 2019, as compared with TL 6,318,472 thousand for the year ended 31 December 2018, TL 3,816,064 thousand for the year ended 31 December 2017 and TL 1,785,585 thousand for the year ended 31 December 2016. These increases were the result of:

- a focus on high margin foreign currency project finance loans driven by selective loan growth and a disciplined pricing approach in corporate banking; and
- a focused approach on mid-commercial sub-segment driven by upward loan re-pricing initiatives in commercial banking.

Project Finance

The Bank has been active in the provision of project finance loans and syndicated loans in Turkey since 1999. As of 30 September 2019, its project finance team comprised 19 staff members specialising in infrastructure energy (mainly renewable), commercial real estate and acquisition projects.

For the nine months ended 30 September 2019, the Bank had underwritten TL 747 million (U.S.$131 million) of project finance loans, compared to approximately TL 5,881 million (U.S.$982 million) for the year ended 31 December 2018, to approximately TL 3,353 million (U.S.$889 million) for the year ended 31 December 2017 and TL 8,740 million (U.S.$ 2,484 million) for the year ended 31 December 2016. The maturity of project finance loans typically ranges from five to 15 to 18 years, with a maximum grace period of four years.

Global Transaction Banking

The product range of the global transaction banking department covers all traditional products in addition to structured products, which are customised for client needs. One of the Bank's competitive advantages is to provide multinational solutions to its local clients in relation to the UniCredit Group's product scheme (however, see "*Recent Developments*" for a discussion of the announced changes to UniCredit's stake in the Bank, which may impact the relationship between UniCredit and the Bank).

The cash management and trade finance teams have product development and sales departments which serve the Turkish Lira and foreign currency cash flow needs of the Bank's clients. As of 30 September 2019, the sales team's 31 staff were divided among the head office, eleven commercial regions, twenty two retail regions, three corporate branches and one international branch in order to provide support and keep close contact with both clients and branches. The sales team also focuses its coverage on the digitalisation of the clients, the network and the complete product range.

The Bank has become the leader in cheque clearing (according to the Central Bank statistics as of 30 September 2019), with a market share of approximately 11.2% and maintained its strong industry position with 15.0% in import flows and 16.2% in export flows (according to the Turkish Statistical Institute as of 30 September 2019). In the nine month period ended 30 September 2019, the number of clients utilizing the Bank's cash management and trade finance products increased by 15.4% to approximately 272,456 companies as compared to the same period in 2018.

Cash Management

The Bank has further strengthened its market leading e-banking position, with particular high turnover performance in direct debit and the BANKO™-OHES bulk payment system, while maintaining its leading position in traditional collection systems such as domestic cheque clearing in the Central Bank. The Bank's cash management services include a broad variety of products, including all countywide collection and payment services, cash transfer services, electronic banking and operational services. In addition, the Bank offers a variety of data integration and reconciliation solutions related to its products. In the nine months ended 30 September 2019, the Bank's bulk payment transactions increased by 12% to 8.7 million as compared to the same period of 2018.

Trade Finance

The Bank provides a variety of support services and payment management mechanisms to Turkish companies engaging in international trade transactions. These include advance payments, letters of credit (sight, deferred and acceptance), cash against documents, cash against goods, standby letters of credit, export financing (pre- and post-shipment), import financing (post-financing, promissory note discount), forfaiting and export credit insurance, back-to-back letters of credit and transferable letters of credit. In addition to traditional import and export products, the Bank offers its customers innovative and alternative foreign trade products and structured solutions.

The Bank has created a special team that is responsible for expanding its structured trade finance business through export credit agencies and export-import banks of other countries, as well as originating short-term and long-term financing through correspondent banks for the investment needs of the clients.

International Banking

The Bank was one of the first Turkish banks to establish correspondent banking relationships and to undertake foreign business. The relationship management function for foreign financial institutions for the Bank is conducted by the Financial Institutions team. The Financial Institutions team also carries out functions including the following:

- provides presentations and insight on developments on the Bank and the Turkish economic and political environment to correspondent banks;
- discusses new products with correspondent banks and implements them within the Bank, in collaboration with the Trade Finance department, in order to gain access to new markets and improve service quality;
- engages in the international marketing of the Bank and its products;
- analyses the financial situation of banks and applies for credit lines on their behalf; and
- arranges long-term structured borrowings in accordance with the Bank's projected borrowing needs.

Treasury

The Bank's treasury department consists of five major groups: Fixed Income Securities, Money Markets and Balance Sheet Management, Foreign Exchange and Derivatives, ALM Planning and Financial Monitoring, and Treasury Marketing. It manages the Bank's on-going liquidity needs, interest rate risks, foreign exchange rates and controls its proprietary investment portfolio.

Fixed Income Securities

The Fixed Income group is primarily in charge of managing the Bank's local and foreign currency fixed income portfolios. As of 30 September 2019, the Bank was one of the 12 primary dealers accepted by the Ministry of Treasury and Finance in Turkey. The Fixed Income group also manages local and foreign currency deposits. As of 30 September 2019, the Group's securities portfolio amounted to 13.70% of its total assets. For a discussion of the Bank's securities portfolio, see "*Management's Discussion and Analyses of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Marketable Securities Portfolio*".

As of 30 September 2019, the Bank had a 19.65% market share in securities trading on the Borsa Istanbul compared with 14.89% as of 31 December 2018, 17.1% as of 31 December 2017 and 19.86% as of 31 December 2016, according to the Borsa Istanbul.

Money Market & Balance Sheet Management and Foreign Exchange & Derivatives

This group is primarily involved in asset and liability management activities, interbank money market transactions and foreign exchange trading, including derivatives. For the nine months ended 30 September 2019, the Bank's trading volume was U.S.$662 billion, compared to U.S.$780 billion for the year ended 31 December 2018, U.S.$723 billion for the year ended 31 December 2017 and U.S.$ 658.8 billion for the year ended 31 December 2016. The Bank's interbank foreign exchange trade volume was approximately U.S.$178.7 billion for the nine months ended 30 September 2019, U.S.$316.5 billion for the year ended 31 December 2018, U.S.$301.4 billion for the year ended 31 December 2017, U.S.$ 335.8 billion for the year ended 31 December 2016. Foreign exchange volume for client transactions denominated against the Turkish Lira was U.S.$39.1 billion in the nine months ended 30 September 2019, U.S.$72.8 billion in the year ended 31 December 2018, U.S.$66.6 billion in the year ended 31 December 2017, U.S.$56.3 billion in the year ended 2016. As of 30 September 2019, the Bank also held 11.05%, 9.98% and 7.07% market shares (customer transactions against the Turkish Lira) in the domestic spot trading, forward and swap markets, respectively.

This group is also responsible for stabilising the interest income on the balance sheet and creating necessary funding for targeted asset growth purposes.

ALM Planning and Financial Monitoring

The ALM Planning and Financial Monitoring group is primarily responsible for monitoring the treasury department's performance and activities. This group also assists other groups within the treasury department with introducing new products.

Treasury Marketing

The Treasury Marketing group is the contact point for large scale corporate, commercial and private customers. The group advises and assists customers with managing risk exposures and hedging opportunities. The group completed transactions worth approximately U.S.$47.5 billion for customers in the nine months ended 30 September 2019, U.S.$104 billion for customers in the year ended 31 December 2018, U.S.$113 billion for customers in the year ended 31 December 2017 and U.S.$98 billion for customers in 2016.

Distribution Network

The Bank offers its banking products and services through an extensive distribution network, which includes branches as well as advanced ADCs such as ATMs, call centres, internet banking and mobile banking.

Branches

As of 30 September 2019, the Bank had 854 branches covering all regions of Turkey (including one branch in Bahrain). While the Bank's branch network covers all regions in Turkey, most of the branches are in the largest cities, with 66.9% of the Bank's branches being located in the ten largest cities (including Istanbul, Ankara, Izmir, Antalya, Bursa, Konya and Adana) as of 30 September 2019. According to BRSA statistics, the Bank's market share in the ten largest cities in Turkey as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016 in terms of branches was 9.5%, 9.3%, 9.2% and 9.6%, respectively, compared to 8.3%, 8.2%, 8.2% and 8.7%, across Turkey as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, respectively. The Bank has a number of different types of branches, including standard, satellite and mobile, which provide customers with a wide range of services. As of 30 September 2019, 777 of the Bank's branches were retail related, demonstrating the retail market orientation of the Bank. As of 30 September 2019, the Bank's corporate commercial branch network consisted of 50 branches (including one international branch) and the Bank's private banking network comprised 21 private banking centres.

Alternative Channels

The Bank uses three main ADCs: ATMs, Digital Banking and a 24 hour call centre, all of which rely upon the Bank's information technology platform. These channels allow customers to access services 24 hours a day and seven days a week. The cost of processing transactions through ADCs is lower than processing them through branches. Therefore the Bank encourages its customers to utilise ADCs by offering promotions and reduced fees in return for customers using these channels instead of the branches. As of 30 September 2019, the Bank handled 93.7% of all its transactions through non-branch channels and the remaining 6.3% through branches. Of the 83.0% handled through ADCs, 39.9% were via ATMs, 43.0% via Digital Banking (composing internet and mobile banking), 0.1% via its four call centres and the remaining 10.7% via other channels including post office and centralised automated transaction channels.

ATMs

As of 30 September 2019, the Bank had the fifth largest ATM network in Turkey, with 4,352 ATM machines and nearly 6.4 million ATM users. As of the same date, 89.4% of the cash transactions of the Bank was performed at the ATMs. The Bank continues to grow its ATM network throughout Turkey.

All of the Bank's ATMs can accept cash deposits. At the beginning of the 2005, 'Recycle ATMs' (where the banknotes deposited can be also used for withdrawal) were deployed in order to reduce the bank's operational cost and to optimise the efficiency of its ATM Network. As of 30 September 2019, 82% of the Bank's ATMs were Recycle ATMs.

The Bank's ATM infrastructure, interface and transaction flows have been renewed to provide unique customer experience in line with the Bank's digital channels strategy.

To achieve the aim of digitalising the ATM channel, the Bank has started to focus on innovative projects such as, "Sending Transaction Receipt by E-mail", which launched at the end of May 2015.

Customers can now receive email receipts for all of their transactions at the Bank's ATMs. To improve digital convergence, in addition to "Cash Withdrawal and Cash Deposit via QR Code" transactions, "Cash Advance and Cash Advance with Instalment via QR Code" were also implemented in March 2018, and the Bank continues to be a pioneer in this sector. As a result, Digital Banking customers who prefer ATMs for cash transactions can easily withdraw or deposit in TL, USD or EUR currencies via QR Code and use cash advance and cash advance with instalment without using a card and without touching the ATM. The Bank will continue to increase the number of transactions performed via QR Codes. As of September 2019, one out of every five cash withdrawl transactions were made via QR code.

As of 30 September 2019, the Bank earned TL 102.2 million in banking commissions from our customers, and other banks' domestic and foreign based customers.

In addition to being the most frequently visited high volume transaction processing channel, the Bank continued its focus on sales offers at ATMs. New products such as General Purpose Loans and Flexible Accounts have started to be offered from the Bank's ATMs in order to meet customers' cash needs instantly.

In the nine months ended 30 September 2019, over 2.8 million products were sold from the Bank's ATMs, as compared to over 2 million products in 2018. As of 30 September 2019, 72% of cash advance/cash advance with instalment sales were made via ATMs.

Digital Banking

As of 30 September 2019, Digital Banking had 5.8 million individual customers and 309 thousand corporate and commercial customers. On the mobile banking side, the Bank had 5.5 million active mobile banking customers including 5.3 million "Individual Mobile Banking" customers and 217 thousand "Corporate Mobile Banking" customers. The Bank's number of active Digital Banking customers has increased 18% from September 2018 to September 2019. The number of Mobile Banking active customers has increased 22% from September 2018 to September 2019. The share of non-cash transactions executed through digital banking as a percentage of all non-cash transactions had increased to 96% as of 30 September 2019. The Bank has experienced increasing numbers of transactions and transaction volumes in recent years, mainly due to higher internet penetration rates globally and in Turkey, and significant marketing of the Bank's internet banking services.

As of 30 September 2019, 54% of GPL sales were made via digital banking channels (4% through internet, 50% through the mobile application). Additionally, 20% of total GPL sales were made through call centres. The Bank first launched internet banking with Teleweb in 2000. Digital banking services are currently provided through internet banking and mobile banking applications. Mobile banking applications can be installed on mobile devices on all native platforms by visiting yukle.yapikredi.com or can be used as html without installation necessary by visiting m.ykb.com.

Following an exhaustive renewal of its mobile banking app with a view to offering customers an even faster and more effective experience, the Bank plans to deliver further innovation for the banking sector with its eye scan technology (Eyeprint-ID), also a first in Europe. This function allows users to log in via their smartphones in a faster, easier and more secure manner, without having to enter their password. The renewed Yapı Kredi Mobile also enables swift contactless money withdrawal and deposit from ATMs via QR code and direct access to the call centre. Initially marketed on the iOS platform, the Bank's mobile banking apps received 20.9 million downloads in total as of September 2019.

The Bank launched "digital onboarding via video assistants" on its mobile banking app, as a first in Turkey. Users can easily and quickly become a Yapı Kredi customer without having to visit a branch by downloading the Yapı Kredi Mobile app on mobile phones and contacting the "Video Assistants". The digital onboarding feature is available on both iOS and Android platforms.

The Bank launched the first smart keyboard for money transfer in Turkey, and one of the first ones in the world. Yapı Kredi Banking Keyboard enables customers to switch from the standard keyboard in messaging applications to a smart keyboard for money transfers. It works on any instant messaging applications including but not limited to: Whatsapp, Facebook Messenger, Skype, Snapchat, Instagram, SMS. The Bank's customers can also send money by voice or texting, via Siri and iMessage.

The Bank's customers can now see if a branch is busy or not on the Bank's branch density map and book a prioritised appointment before visiting the branch. Furthermore, the "Don't Panic Button" helps customers manage their cards anytime, anywhere via Yapı Kredi Mobile. With this feature, users can lock their card(s) temporarily for 24 hours and cancel their cards instantly. When customers lock their cards, they can still withdraw money via QR code or pay credit card bills.

The Bank launched a mobile payment feature on the Yapı Kredi Mobile app beside its card branded app Yapı Kredi Wallet. This way, users can make contactless payments with their NFC supported Android Mobile phones by simply tapping their smart phones on a POS machine. Another convenient payment option the Bank has launched is payment via QR code. Customers can now shop online by scanning a QR code via Yapı Kredi Mobile. Primarily launched on Biletix.com, leading ticketing company in Turkey, the feature will be integrated into several e-commerce websites.

The Bank has also launched an in-car payment system, with which customers can pay for fuel via Yapı Kredi Mobile from the comfort of their car. Furthermore, the Bank is in the process of developing additional features for Yapı Kredi Pay, including systems to streamline the payment experience for online shopping and reduce the need to duplicate the entry of card information across multiple websites and apps.

Additionally, the Bank launched a "Jet Transactions" menu to make transactions quicker and easier for users. Three main transactions of an ordinary user are moved to semi-secure area to create a more seamless experience. These transactions are cash transfer, cash withdrawal/deposit with QR code, Yapı Kredi Pay.

Furthermore, the Bank facilitates user identification with the help of NFC technology. Now, the Bank's customers can contactlessly login to Yapı Kredi Mobile by approaching their credit card to the NFC reader field on the back of their phone and entering their card password.

With the "One Pin" integration, the Bank enables its customers to use their internet/mobile banking password on telephone banking as well. In addition, the Bank also enables its customers to approve loan agreements with their Yapı Kredi Mobile password without the need to sign documents in branches.

In 2016, the Bank laid the foundations of a free and open source software platform, Code.YapıKredi, which is open to everyone who wishes to learn software development and use their knowledge to contribute to productivity. Code.YapıKredi is a comprehensive platform that covers programming tutorials and financial guidance. Following the incubation program that was implemented during 2017, the Bank launched its comprehensive acceleration program in 2018. During the Code.YapıKredi accelerator program, participants were provided with support to develop their businesses and the opportunity to obtain investment. In the Demo Day at the end of the program, participants had the opportunity to present their pitches to investors. Through Code.YapıKredi, the Bank aims to contribute to the development of the Startup & Fintech ecosystem, while also paving the way for young entrepreneurs.

Aiming to be accessible to customers at any time or anywhere; the Bank has become the first in Turkey to provide service via a verified corporate WhatsApp account. This feature enables customers to instantly text their requests via their mobile devices and get prompt information about services and products they need. Depending on their needs, customers may be served by artificial intelligence-powered chat bot or live customer representatives.

Furthermore, the Bank broke new ground with its Facebook chatbot (messaging robot) service which is the first in the Turkish banking sector. By using Yapı Kredi BankacıBot (BankerBot), customers can access a variety of operations such as applications, bill payment and information inquiries via Facebook Messenger.

The Bank developed an Apple Watch app before the watch was released and became the first company to provide such an app to its customers in Turkey. The Bank also has a mobile banking app compatible with Samsung Gear S2 and Google Glass. Moreover, the Bank released a Smart TV application which provides an uninterrupted TV experience and market information tracking at the same time. The Yapı Kredi Smart TV Finance application can be downloaded on Arcelik, Beko, Grundig TV's Appstore. Furthermore, the Bank launched Ford SYNC3 integration on Yapı Kredi Mobile. With Yapı Kredi Mobile SYNC3 developments, customers can receive market information, call Yapı Kredi Call Center, see a list of the nearest Yapı Kredi branches/ATMs and receive navigation from their vehicle's dashboard. They can also access Exchange Rates and BIST Information by voice.

To ensure secure internet connections, the Bank offers One Time Password ("**OTP**") products through OTP Mobile (a JAVA application operating on mobile phones), OTP SMS (one time passwords sent via SMS), Mobile Signature and Smart Banking (for corporate internet banking). The Bank's internet banking system provides 24-hour customer service through live chat, call centres and email enquiries.

Moreover, the Bank focused on increasing the direct sales capability of digital channels as a way to ensure sustainable growth. The Bank offers branchless GPL product which provides customers with a convenient way to meet their financial needs as well as boosts bank revenues. Customers can apply for a loan on the internet and mobile banking and the approved credit amount is sent directly to customer's account, even on weekends. It also provides access to more products such as flexible account, credit card application and life insurance sales on internet banking. The Bank has also e-Government Gateway integration which enables customers to make over 1,200 transactions related to public institutions with their internet banking password without needing any other credentials.

The Bank utilises BehaviorPad, a behavioural targeting tool designed for proposing the most relevant offers to customers on yapikredi.com.tr. Furthermore, thanks to the Web Payment Center (a first in the banking sector), users can make bill payments even if they are not the Bank's customers and can also pay MVT (motor vehicle tax) on yapikredi.com.tr. The Bank also provides an Application Center, which involves credit card, GPL, mortgage, SME loan, education loan and private pension functions.

The Bank has recently started to provide "Auto Enrolment In Private Pension System" and offer this product both via Corporate Internet Banking and yapikredi.com.tr.

The Bank also provides an alarm and reminder service (Smart Assistant) that notifies customers instantly via SMS, e-mail or push notification.

The Bank developed "Self Service World", which enables corporate internet banking members to create campaigns on their own for Yapı Kredi individual customers. Self Service World is the first campaign generation application provided by a bank in Turkey. The Bank is continuing to develop innovative ways to improve its customer experience. The Bank added the login with QR code feature to corporate internet banking, the first bank to do so in Turkey. The Bank's customers can login to corporate internet banking by scanning a QR code on the internet login screen with their mobile phone.

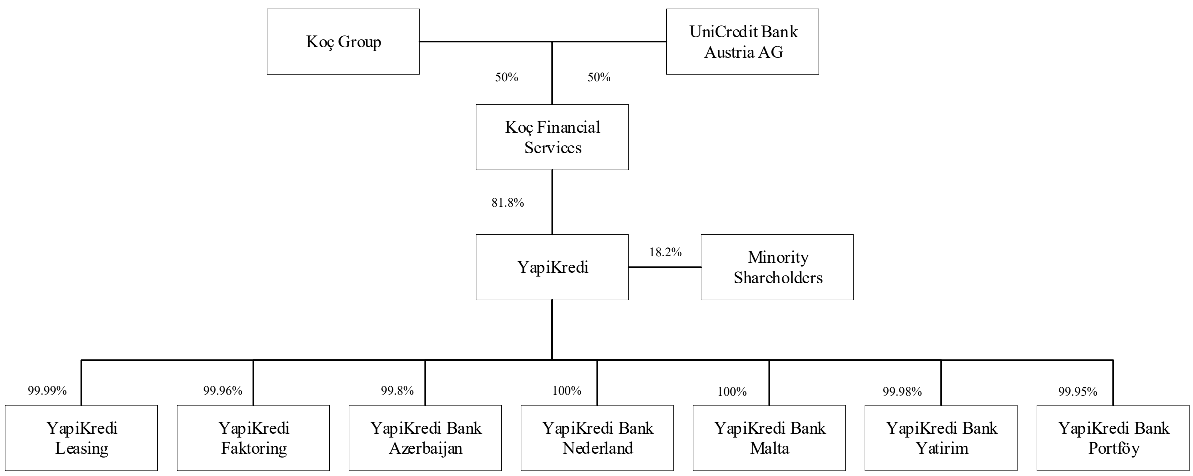
Furthermore, the World Mobil app aims to digitalize card customers' end-to-end shopping experience. World Mobil offers special discounts, loyalty points, installments and postponement benefits to its wide network of more than 300.000 stores. In order to provide this experience, World Mobil presents its customers after shopping functions of reviewing earned benefits, several digital payment solutions such as QR and NFC payments and card management and control functions.

Customer Relations Centre

The Bank's Customer Relations Center has positioned itself to set the standards in this sector in Turkey. The Bank's award-winning call centre is one of the largest financial call centres in Turkey in terms of agents and number of calls received. The call centre deals with a wide range of the Bank's services including credit cards, merchants, retail, SME, corporate, commercial and private banking, serving both individual and corporate customers. As of 30 September 2019, the call centre had 1,405 employees. In addition to being one of the most important service channels, the Bank's contact centre has a significant role as a sales hub. In the nine months ended 30 September 2019, the contact centre carried out approximately 42 million contacts, 1,104,000 credit card retention calls, 764,537 customers retained and 5.1 million product sales. Approximately 65% of the call centre activities are carried out via an interactive voice recognition system which allows self-service usage.

Corporate Structure

The following chart presents the corporate structure of the Group and its shareholders as of the date of this Base Prospectus.



Subsidiaries

Following the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in October 2006, certain financial subsidiaries of KFS and the Bank were rationalised and merged. Below is a description of the Bank's primary operating subsidiaries.

Domestic Subsidiaries

Yapı Kredi Leasing

Yapı Kredi Leasing was established in 1987 and, as of the date of this Base Prospectus, is 99.99% owned by the Bank. Yapı Kredi Leasing has been listed on the Borsa Istanbul since 1994. However, in accordance with Article 25 of the ISE Listing Regulation and the CMB's Principle Decision on De-Listing, dated 30 July 2010 and numbered 22/675, Yapı Kredi Leasing was delisted following the second session of 20 July 2012. As of 30 September 2019, Yapı Kredi Leasing had shareholders' equity of TL 2.5 billion. As of 30 September 2019, Yapı Kredi Leasing had 139 employees. The key role of Yapı Kredi Leasing is to develop and provide customers with leasing products through the Bank's wide branch network as well as 14 Yapı Kredi Leasing branches.

Yapı Kredi Faktoring

Yapı Kredi Faktoring was established in 1999 and is 99.95% owned by the Bank as of the date of this Base Prospectus. Yapı Kredi Faktoring provides factoring services in Turkey via: its head office in Istanbul, branches in Beyoğlu, Güneşli, Kartal, Kadıköy, Izmir, Ankara, Bursa, Antalya and Adana. The company had 126 employees as of 30 September 2019. Yapı Kredi Faktoring offers its customers monitoring and collection of short term domestic or international receivables from product or service sales, guarantees for receivables against payment defaults and flexible financing through early payment before the due date of the receivables. Yapı Kredi Faktoring is a member of Factors Chain International.

Yapı Kredi Invest (Yapı Kredi Yatırım)

Yapı Kredi Invest was founded in 1989. With central sales in Istanbul, branches in Adana, Ankara, Antalya, Balikesir, Bursa, Denizli, Izmir, Kayseri, Samsun, and an internet branch, Yapı Kredi Invest provides capital market products, brokerage, corporate finance, derivatives, leveraged foreign currency trading operations and investment advisory services. Yapı Kredi Invest has received authorisation from the CMB to undertake leveraged foreign currency trading operations.

Yapı Kredi Invest ranked first among brokerage houses, with a 12.78% market share of the equity market as of 30 September 2019, according to Borsa Istanbul Data Publications. As of 30 September 2019, Yapı Kredi Invest generated a 15.43% market share in the derivatives market among brokerage houses, compared to a 15.79% market share as of 31 December 2018, a 4.58% market share as of 31 December 2017 and a 4.52% market share as of 31 December 2016, according to Borsa Istanbul Data Publications.

Yapı Kredi Asset Management (Yapı Kredi Portföy)

Established in 2002, Yapı Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products, together with portfolio advisory and private fund establishment services. Yapı Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 59 employees as of 30 September 2019.

As of 30 September 2019 Yapı Kredi Asset Management offered 33 mutual funds and had total assets of approximately TL 11.2 billion. Its total market share for mutual funds stood at 13.61% as of 30 September 2019.

Yapı Kredi Asset Management also provides management services to 30 private pension funds. It had approximately 12.61% market share of the pension fund market in Turkey, with assets under management of approximately TL 14.5 billion as of 30 September 2019.

Yapı Kredi Asset Management provided discretionary portfolio management services to 551 customers as of 30 September 2019, of which 9 were institutional and 542 were high income individual investors. Yapı Kredi

Asset Management's assets under management in its discretionary portfolio management services, excluding DPM funds, were approximately TL 810.4 million as of 30 September 2019.

Managed assets, including mutual funds, private pension funds, hedge fund and discretionary portfolios, amounted to TL 26.5 billion as of 30 September 2019.

International Subsidiaries

Yapı Kredi Bank Nederland

Yapı Kredi Bank Nederland N.V., a wholly owned subsidiary of the Bank, is active in the Netherlands and subject to the supervision of De Nederlandsche Bank (the "**Dutch Central Bank**") as well as the Netherlands Authority for the Financial Markets. The bank was established in May 1996 and changed its name from Koçbank Nederland N.V. to Yapı Kredi Bank Nederland N.V. upon acquiring the latter in 2007. The bank operates through its head office in Amsterdam and offers a wide range of retail, corporate and private banking services. Its main objective is to provide banking solutions to domestic customers and also to the Bank's customers from abroad. The focus of its corporate services varies and covers a wide range such as transactional trade finance, ship finance, Islamic finance and project finance. In terms of retail banking, Yapı Kredi Bank Nederland N.V. provides saving and deposit products in the Dutch retail market to 12,309 customers as of 30 September 2019. As of 30 September 2019, the total assets of Yapı Kredi Bank Nederland N.V. were U.S.$1.9 billion.

Yapı Kredi Bank Azerbaijan

Koçbank Azerbaijan was established as a joint venture between Koçbank (80%) and the IFC (20%) in 2000. In 2006, KFS became the sole owner acquiring IFC's share. Since early 2007, following the merger of Yapı Kredi and Koçbank, the Bank has continued functioning under the "Yapı Kredi Bank Azerbaijan" brand. Yapı Kredi Bank Azerbaijan provides retail and corporate banking services to its customers, including loans, deposits, project finance, domestic and international money transfers, trade finance, equity market and securities transactions, credit card transactions, safe deposit box and travel cheques. As of 30 September 2019, Yapı Kredi Bank Azerbaijan operated through 7 branches, one central customer office, plus one satellite branch, it had 252 employees and 5,091 corporate customers, 10,839 SME customers and 299,034 retail customers, 29 ATMs and 1,873 POS terminals. In September 2012, Yapı Kredi Bank Azerbaijan also launched credit card sales alongside its retail operations. As of 30 September 2019, the total assets of Yapı Kredi Bank Azerbaijan were U.S.$253 million.

Yapı Kredi Malta

In October 2014, the Bank received from Malta Financial Services Authority a banking license to establish a new banking subsidiary in the Republic of Malta under the name of "Yapı Kredi Bank Malta Ltd." following the necessary permission by the BRSA. Yapı Kredi Bank Malta Ltd. is controlled by Yapı Kredi Holding BV whose share capital is fully owned by the Bank.

Yapı Kredi Malta started its operations in 2015 with a share capital of EUR 60 million. In order to fulfil this capital requirement, the share capital of Yapı Kredi Holding BV was increased by the Bank to EUR 102 million from EUR 59 million. As of 30 September 2019, the total assets of Yapı Kredi Malta were U.S.$172 million (€157 million).

Associates

Banque de Commerce et de Placements S.A.

Banque de Commerce et de Placements S.A. ("**BCP**") is a Swiss bank established in 1963 and is 30.67% owned by the Bank. BCP has been an affiliate of the Bank since 1996. BCP operates in the areas of trade finance, wealth management, treasury services, and correspondent banking. BCP is rated as investment grade by Fitch. Headquartered in Geneva, the bank also operates through its branches in Luxembourg and Dubai.

Yapı Kredi Insurance (Yapı Kredi Sigorta) and Yapı Kredi Pension (Yapı Kredi Emeklilik)

The Group agreed to sell its non-life and life insurance businesses to Allianz and to establish a 15-year strategic distribution partnership for non-life insurance, life insurance and pension products in Turkey. Following regulatory approvals, the transaction was finalised on 12 July 2013.

As the first component of this transaction, the Group sold its 93.94% stake in Yapı Kredi Insurance, including Yapı Kredi Pension, to Allianz for total cash consideration of TL 1,790 million (of which TL 1,410 million will accrue to the Bank). As the second component of the transaction, the Group then bought back and retained a total 19.93% stake in Yapı Kredi Pension for cash consideration of TL 188 million in order to benefit from the expected strong growth in the life insurance and pension business in Turkey.

As the third component of the transaction, the Group also entered into the 15-year bancassurance agreement with Allianz for the marketing and distribution of non-life insurance, life insurance and pension products through the Group's retail network and other alternative delivery channels. The partnership combines the Group's customer-focused leading retail franchise in Turkey with Allianz's global experience and leadership in developing and managing insurance products. Throughout the duration of the Bancassurance Agreement, the Bank is to receive a commission flow for the distribution services as well as a profit share from its life insurance sales.

Joint Venture

Yapı Kredi Koray Gayrimenkul Yatırım Ortakliği A.Ş.

Yapı Kredi Koray Gayrimenkul Yatırım Ortakliği A.Ş. is a real estate investment trust established in 1996. The trust is 30.45% owned by the Bank, 25% owned by the Koray Group and 44.55% publicly quoted. The trust is headquartered in Istanbul.

Competition

In recent years, the banking sector has become increasingly important to the Turkish economy and foreign banks have become increasingly involved in the sector.

According to the Turkish Banking Association, as of 30 September 2019, there were a total of 47 banks licensed to operate in Turkey (excluding six participation banks). According to BRSA, as of 30 September 2019, the five largest banks in Turkey held approximately 53% of the banking sector's aggregate loan portfolio and approximately 54% of aggregate banking sector assets in Turkey. Among the 10 largest banks, there are three state owned banks: Ziraat (ranked first), Halkbank (ranked second) and Vakıfbank (ranked fourth), which constituted approximately 36.1% of the total banking sector assets as of 30 September 2019. Foreign banks have shown an increased interest in the banking sector in Turkey in recent years. Foreign banks such as BNP Paribas, Burgan Bank, ING, Qatar National Bank, Commercial Bank of Qatar, UniCredit, Sberbank, Commercial Bank of China and Odeabank have all acquired interests in Turkish banks. Additionally, Emirates NBD entered into a definitive agreement in May 2018 to buy 99.85% of Denizbank from its parent Sberbank. The sale was completed on 31 July 2019 following Competition Board's approval in June 2019.

According to BRSA statistics, as of 30 September 2019, 31 December 2018, 2017 and 2016, the Bank's market share in loans, deposits and assets were as follows:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
		(%)		
Loans	8.8	9.2	9.5	10.2
Deposits	9.2	10.0	10.0	10.6
Assets	9.3	9.5	9.6	9.7

Source: *Banking Regulatory and Supervisory Agency (BRSA)*

As of 30 September 2019, according to BRSA statistics, the Bank was the thurd largest private bank in Turkey by total assets. According to BRSA statistics, as of 30 September 2019, the Bank ranked fifth in terms of cash and non-cash loans (including letters of guarantee, letters of credit and acceptances) with a 9.6% market share, and had a market share of 8.1% in consumer loans (ranking sixth) including mortgages, general purpose and auto loans, 5.8% in commercial instalment loans (ranking fifth) and 8.4% in company loans (ranking fifth). As of 30 September 2019, the Bank's market share in total deposits among private banks was 15.3% (compared to 16.1% as of 31 December 2018, 15.6% as of 31 December 2017 and 16.0% as of 31 December 2016) according to BRSA statistics.

As of 30 September 2019, the Bank's market share in total cash loans among private banks was 17.1% (compared with a market share of 16.6% as of 31 December 2018, 16% as of 31 December 2017 and 16.4% as of 31 December 2016) according to BRSA statistics. As of 30 September 2019, the Bank ranked fourth, with a revenue market share of 13.9% for the nine months ended 30 September 2019 according to BRSA statistics. The Bank's management views Garanti Bank, Akbank and İşbank as the Bank's main competitors.

As of 30 September 2019, the Bank was a Turkish market leader in credit cards (19.8% market share in credit card outstanding volumes (ranking first) according to BRSA statistics, 18.5% market share in credit card issuing volumes (ranking second) and 17.5% market share in number of credit cards (ranking first), according to the Interbank Card Centre data). As of 30 September 2019, the Bank has strong positions in asset management (ranked third, with a 14.2% market share according to Rasyonet). As of 30 June 2019, the Bank was ranked second among private banks with a 12.2% market share in non-cash loans according to the BRSA statistics.

Employees

As of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the Group had 17,798, 18,448, 18,839, 19,419 employees, respectively, of whom 16,950, 17,577, 17,944, 18,366, respectively, were employees of the Bank. The following table sets out the number of employees of the Group and the Bank as of 30 September 2019, 31 December 2018, 2017, and 2016:

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
Bank	16,950	17,577	17,944	18,366
Head office and operations	8,268	8,484	8,413	8,157
Branches	8,682	9,093	9,531	10,209
-Subsidiaries	848	871	895	1,053
Total Group	**17,798**	**18,448**	**18,839**	**19,419**

The Bank's management believes that the Bank has a qualified workforce with appropriate educational backgrounds. All employees are trained in customer-oriented service principles and are considered competent in technical banking applications. Women represented 63% of total employees, and the proportion of university graduates was 80% as of 30 September 2019. As part of the Bank's training strategy, the Bank employs new graduates and prepares them within the institutional culture for managerial positions.

Within the Bank, there are unionised employees, for whom a collective bargaining agreement (the "**CBA**") applies, in addition to Turkish labour laws and the Bank's personnel regulations, which apply to all of the Bank's employees. In total, 9,575 of the Bank's employees were members of the Union, amounting to 56% of all employees as of 30 September 2019.

With respect to Union employees, the Bank's management and Union officials meet regularly to exchange information on working conditions. The Bank and the Union agree and sign new protocols to the CBA every two years and the latest agreement covers the period from 1 April 2019 to 31 March 2021. The Bank also provides additional benefits to its employees including a group retirement plan, health insurance and welfare fund.

Information Technologies

The Group's information technologies and operations departments are integrated in order to provide better service internally and improve the efficiency of core banking activities.

The Group maintains its information technologies and operations infrastructure in order to support its growing business and minimise operational risk and business interruption. The Bank operates a 2,000 square meter information technology centre in Gebze, Kocaeli (43 kilometres from Istanbul), which deals with all of the Bank's technology functions and initiatives. The fully operational information technology centre provides services to the Bank's headquarters, branches and customers. The Bank has developed much of its software in-house, including its internet banking software, through its software development department.

The Group has developed and implemented procedures for emergency system and data restoration and maintains a separate disaster recovery centre in Ankara, which has been in place since 1998. The disaster recovery site contains all key applications, such as Core Banking, Internet Banking, Workflow Systems, Credit Cards Systems, ATMs, EFT, SWIFT and Treasury. Data is transferred online as defined in Disaster Recovery Procedures. The Group maintains a remote online real time disaster recovery system, which is operated when the main production system or main data centre is not available. The Group can transfer operations and re-route data lines through the disaster recovery system within 30 minutes. The disaster recovery centre is tested on a bi-annual basis. This has enabled the Bank to be in full compliance with Basel II requirements for systems and data.

In 2011, it was decided to increase IT capacity to enable better service to the business. The IT project development capacity has been increased by 50% since 2011 to a target of more than 125,000 man-days in 2014. In 2019, the IT project development capacity target is approximately 198,000 man-days.

In 2011, the Bank completed 178 IT projects. This number increased to 207 in 2012, 213 in 2013, 245 in 2014, 334 in 2015, 263 in 2016, 281 in 2017 and 208 in 2018. For 2019, an IT master plan has been approved with a total of 328 projects.

Major ongoing programmes cover the following areas:

- **The Treasury & Investment Strategies Programme** aims to enhance the Bank's technical capabilities in treasury systems and investment products, in order to strengthen its competitive position in the market. In order to adapt to the rapidly evolving market trends, a new business model supported by a flexible technical structure is to be implemented with the collaboration of IT and related business units. The program started on 28 February 2013 and completed in 2016, except for the Fixed Income Project, which is expected to be completed in April 2020.

- **The Data Transformation Management Programme** was initiated in 2016 with the aim of setting up an enhanced data governance model that would support the organisation and enable it to extract more benefits from data. The programme will cover data management and data quality, including designing the governance structure. The programme also includes the Data Warehouse Modernisation initiative. A key objective of the Data Warehouse Modernisation initiative is to renew the Bank's data warehouse to effectively organise, store, analyse and extract data. At the end of the programme, the renewed data warehouse will be more available and performant, have a simpler and completely integrated data model to address changing business needs, have less time and cost to market and will be able to deliver more analytics capability due to the renewed modernised architecture. The Data Transformation Management Programme will be completed in 2019.

- **NBA (Next Best Action) Programme** was initiated in 2016 and is currently ongoing. NBA is a direct marketing paradigm that aims to capture opportunities with inbound contacts, increase business intelligence of outbound offers and orchestrate CRM in an omni-channel environment. The campaign management tool Chordiant will be replaced with Pega, a new generation campaign tool. It is planned to be completed in Q1 2020.

- **Digitilisation Programme** is an initiative to increase the digitalisation index of the Bank. The programme started in 2016 and is currently ongoing.

- **Digital Investment Programme (INDIGO)** focuses on the investment needs of the customers in line with the target of Turkey's first and the best digital bank's strategy. Program includes product enhancements, customer experience improvements, performance and wealth traceability and enriched reporting developments on digital channels. The programme started in 2018 and is currently ongoing.

- **The Target Operating Model** aims to maximise the front-to-back office ratio of the Bank via optimisation and standardisation of operation activities with branch and centre splits while increasing control focus of operations. Accordingly, target services models in the branches have been redefined and these models are being put in place through the launch of included IT and non IT initiatives. Initiatives consist of subprojects to eliminate, automate, centralise and transform operation activities. Preparations started in 2015 and completed by the end of 2018.

TOM Wave 4 is the next generation central operations model being designed for the Bank. The program started in 2019 and aims to complete in 2021. Key enablers of the project are:

- Building proximity model for branch operations and positioning branch operations as controller rather than executer;
- Developing system supported smart controls driven by analytics and artificial intelligence;
- Boosting migration via middle office acting migration officer and SBU involvement with solid targets;
- Designing leaner, intelligent processes leveraging on digital insights; and
- Optimizing workforce management via outsourcing and choreography design for synchronization of demand and supply.

In addition, the following programs have been completed which aim to strengthen the Bank's market position in the following key areas:

- **The ATM Re-platforming Programme** was started in 2015 to renew the ATM network of the Bank and with the objectives of creating a more flexible and effective infrastructure with respect to software, monitoring and package distribution and enabling an integrated and singular customer experience with an omni-channel approach. The new ATM system will support multiple vendors, multiple currencies and multiple languages, and have enhanced content management and commercial capabilities. The programme was completed in December 2017.

- **The One Direction Programme** was initiated in January 2016 and completed in August 2017. The programme aimed to develop a new system for the Call Center which:

  - improved opportunities to increased sales and retention effectiveness,

  - decreased Average Handling Time and increased quality significantly in each call, and

  - completed contact history of the customer through all channels (aligning OMNI-Channel strategy)

- **The Credit Underwriting Redesign Programme** aims to create more flexible, automated and user-friendly underwriting and disbursement systems. The programme was started in 2013 and completed in the first quarter of 2016 with gradual deliveries. In addition to first deliveries, new functionalities and enhancements were completed in 2017

- **Open World**

  The Open World programme was started in May 2009 and involved the transporting of the Mainframe System to "Open System" with the aim of strengthening the Bank's leading position in the credit card market and further differentiating the Bank from its competitors by creating a credit card system suitable for simple, quick and flexible improvement and delivering structural enhancements. In particular, Open System aimed to reduce credit card maintenance, development and transaction costs, improve the Bank's disaster recovery system, and adopt new functionalities including credit limit management and card differentiation. This programme was completed in the second quarter of 2014.

- **Harmoni**

  The Bank's other primary initiative was started in 2011 and involved the migration to a new front end platform called Harmoni. The programme used a process based approach for maximising business efficiency and system performance. 696 reports, 1101 screens, 736 types of transactions and 151 types of work flow management forms have been migrated to the Harmoni platform. The programme was completed in the fourth quarter of 2013.

- **MCM Programme**

  In 2011, a set of new projects were initiated in parallel with the Bank's new strategies to develop "multichannel banking" (e.g., mobile banking, centralised customer service call centres, ATM management and marketing optimisation). A number of strategic projects have been launched within the programme. Yapı Kredi Mobile Banking was launched in 2011 for various mobile platforms and new functionalities are being added continuously. The Branch Call Diversion Project was completed in the third quarter of 2013 for efficient and high quality call management in branches. The new Yapı Kredi Internet Banking was launched in the first quarter of 2014, with new design and new functionalities, including extended CRM features and security enhancements. The Bank's web site has been renewed for better customer communication. The web site has received awards from "Communicator Awards" in three categories (Award of Excellence in Financial Services, Award of Distinction in Banking/Bill Paying category, Award of Distinction in Corporate Identity) and the Outstanding Achievement Award from "Interactive Media Awards" for its self-learning behaviour and simple design. The programme was completed in 2014.

- **Direct Banking**

  A new Direct Banking platform was launched in May 2014 with the brand name "Nuvo". By offering a new direct banking platform, the programme aimed to acquire new customers, decrease the usage of high cost channels, such as branches, and increase the usage of low cost channels, such as mobile branches and Internet branches. The target model focused on students, young professionals and tech savvy seniors, who have basic banking needs and are sensitive to pricing.

- **Sales Force Automation & Credit Card Only Customer Acquisition Programme**

  Retail banking management strategies were supported by giving automated and efficient processes to end-users. Simple product sales processes, more efficient disbursement processes, quick underwriting availability, one click cross sell interface and form free sales availabilities aimed to increase sales capacity and productivity. Another aim of the programme was to move customers that only used credit cards to the retail segment through cross-selling activities. The programme has been completed and rolled out in all branches as of August 2014.

- **UPDM**

  This project aimed to create a unified collection system for the Group which replaced the former distribution infrastructure. This project was initiated in the first quarter of 2013 and completed in June 2014.

- **Internet Banking Uplift and Mobile Banking Re-platforming**

  The main goal of this project was to renew the design and increase functionality and enhance usability, security and efficiency of digital channels.

- **The RRE (Retail Risk Excellence) Programme** aims to improve collection performance. The programme is comprised of three main projects:

  - <u>Retail Risk Excellence</u>: Underwriting and Collection Systems and Processes improvements were studied within this project to maintain the Bank's profitability and increase collection performance. To achieve the project's goal 14 actions have been held. The project has been completed.

  - <u>Improving YKB's NPL Collection Performance</u>: The scope of this project is to focus on improved legal collection and to form the ideal high-level NPL sales process. The project has been completed.

  - <u>Enhancements of Consumer Loan Underwriting System</u>: Underwriting system infrastructure changes were delivered to simplify work streams and minimise process complexity for better customer management. The project has been completed.

- **SME Boosting** was initiated in November 2016. The project was completed in 2018. The programme aims to:

- Develop a new service model for SME segment to capture market growth and optimise risk-adjusted returns;
- Develop/enhance the commercial and risk tools to support the new service model and risk infrastructure; and
- Improve current risk management infrastructure to mirror the enhanced business/service model.

Property

The Group owns or leases premises for its head office, branches and operations centres. As of 30 September 2019, the Group's fixed assets (comprising land, land improvements, buildings, computer hardware and other fixed assets) had a total net book value of TL 4,338,843 thousand (U.S.$766,702 thousand) or 1.09% of the Bank's total assets. The Group owns its headquarters buildings in Istanbul and its operations centre in Gebze. As of 30 September 2019, the Bank owned approximately 20.14% of its branches and the rest were leased.

Insurance

The Group maintains insurance policies with levels of coverage it deems necessary given the nature of its business. The Group's fixed assets, cash in transit and cash in hand are covered by general insurance arrangements covering normal risks. The Bank generally requires that real property assets owned by borrowers which form part of the collateral for loans the Bank makes are insured. The Bank does not have any credit risk insurance in relation to defaults by its customers as this type of insurance is generally not available in Turkey. The Group maintains insurance on its properties, including its head office and branches and personal property, with respect to such risks, including earthquakes and terrorist attacks, and in such amounts as the Group deems appropriate.

Legal Proceedings

From time to time, in the ordinary course of its business, the Group is party to legal proceedings, both as a plaintiff and a defendant. There are no legal proceedings pending, or to the Group's knowledge threatened, that may materially adversely affect the Group's business, results of operations or financial condition. As of 30 September 2019, the Group recognised a provision of TL 128,812 thousand in respect of legal proceedings.

RISK MANAGEMENT

Internal Audit Department

The Bank's internal audit department reports to the Audit Committee and utilises a risk-oriented approach to assess credit risk, operational and IT risk, and market risk, including within the Bank's subsidiaries. The department also performs investigations. The Retail Branches are audited based on the analysis of risk indicators, with between a one- and four-year audit cycle of the retail branches based on the risk classifications. Moreover, the risk trends of each branch are monitored quarterly through key risk indicators. A 12-month audit cycle is applied to the Corporate, Commercial and Private Banking branches. The Head Office departments are audited based on the risk assessments, whilst also considering the requests of shareholders, governing bodies, top management and regulators. The audit period for the Head Office departments may vary from between one to five years in accordance with the results of the risk assessments. Regular branch and process audits are scheduled based on an annual audit plan which is submitted to the Board of Directors for approval. In addition, significant internal audit results are submitted to the Board of Directors at least four times a year through the Audit Committee.

In addition, the BRSA requires a "Management Assertion" study of Banking processes and IT systems to be completed by the Internal Audit Department annually. The Management Assertion study was completed as of 31 December 2018 and the Board of Directors was informed of the results.

Risk Management Department

The Bank's risk management department functions independently from its commercial operations. With the Credit Committee and the Asset and Liability Management function of the Executive Committee, the Risk Management department is an integral part of ensuring the Bank's compliance with the Banking Law, with respect to measuring, monitoring and managing the credit market and operational risks concerning the Bank's portfolio.

The basic functions of the Risk Management department are to measure and manage risks in a manner consistent with the Bank's risk appetite. The department is also responsible for: (a) maximising returns on invested capital and maintaining sustainable profit growth, (b) monitoring trends in risk exposures and communicating irregularities to senior management, (c) monitoring asset and liability profiles to allow the Bank to take rebalancing actions on a timely basis, (d) defining the risk structures of products, processes and services, (e) measuring the credit risk of the Bank's portfolio via rating models, and (f) ensuring the Bank's compliance with the Banking Law.

As of 30 September 2019, the risk management department had 106 employees. The main organisational segments of the department are Strategic Risk Control, Credit Risk Management and Market Risk Management.

Strategic Risk Control

Risk control involves the following key roles and responsibilities in the Bank: (a) defining the optimum composition of the overall loan portfolio and identifying risk positions within legal and Group limitations, (b) preparing credit risk budget in line with the Bank's risk appetite and lending targets, (c) monitoring the evolution of credit risk for all segments (including by industry, type and sector), (d) preparing and presenting strategic credit risk related reports to the senior management (including the evolution of loan provisioning and comparison with peer banks), (e) calculating cost of risk and related provisions by segments to assess the underlying risk of the loan portfolio and maintain asset quality, (f) preparing ICAAP, stress test and RRP, and (g) providing support to the Bank's subsidiaries whilst simultaneously coordinating their functions, with the aim of achieving loan portfolio with the best credit-worthiness possible as well as ensuring the proper implementation of their credit, credit risk cost and budgeting processes. This includes the preparation of action plans for such subsidiaries in order to align implementation processes across the Group.

The operational side of the Risk Management department encompasses responsibility for the following tasks: (a) defining the Group's operational risk policy covering IT risks, (b) issuing guidelines for the measuring, evaluation and management of operational risks and IT risks, and ensuring correct implementation both at Bank and subsidiary levels, (c) developing and regularly updating the operational risk measuring and monitoring systems and models at Group level, (d) measuring and monitoring operational risks and IT risks at Group level, (e) carrying out "second level controls" for operational risks and IT risks at Group level, (f) ensuring compliance with Basel II in the area of operational risk, (g) managing the Business Continuity Plan of the Bank with particular responsibility for assuring the establishment and maintenance of the plan, and controlling and coordinating the various entities involved in the process, (h) preparing action plans for operational risk mitigation and coordinating the implementation of such plans, (i) taking into account the significance of reputational risk and consequently setting and ensuring implementation of policies and strategies, which are assessed, quantified and managed with the overall intention of minimising such complications, and (j) establishing and reviewing the support services risk management programme and giving risk opinion for support service procurement requests.

Credit Risk Management

The credit risk management department coordinates the following: (a) measuring the credit risk of portfolios by developing PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default) models, which are used to compute the EL (Expected Loss) of a subject if it were to default, (b) defining the business specifications of all information technology tools used throughout the credit processes and the information technology systems where information about credit risk is kept (e.g. limits, risks, collaterals, credit risk datamarts in the DataWarehouse), (c) evaluating new credit products and changes to existing credit products, (d) leading credit risk related Basel IRB preparations at a Group level in anticipation of approaches by the BRSA, (e) validating and monitoring the rating/scoring systems used by the Bank in daily business process, (f) establishing, monitoring and coordinating studies related to Internal Capital Adequacy Assessment Process and economic capital calculations, (g) managing and monitoring rule sets used in retail portfolios for underwriting, monitoring and collection purposes, and (h) making economic calculations for the credit portfolio.

On 21 July 2016, the Turkish government declared a three-month state of emergency following the attempted coup. This state of emergency was then further extended for an additional three months. The state of emergency law allows for removal of public employees and transfers of the assets of individuals and related companies to the Turkish treasury. To comply with the state of emergency law, the Bank's legal department is in charge of monitoring the government's declarations and reporting exposures of the Bank's customers on a daily basis. On 18 July 2018, the government declared that the state of emergency had ended.

Lending Policy

Lending Limits

The BRSA defines large exposure as an exposure exceeding 10% of the Bank's capital base in light of BRSA credit conversion factors. The Bank's total exposure to a single company or group cannot exceed 25% of the Bank's capital base. Total exposure to a risk group (comprised of Koç Holding and UniCredit) cannot exceed 20% of the Bank's capital base. The total of the Bank's large exposures cannot exceed the Bank's capital base by more than eight times. To date, the Bank has never exceeded these ratios. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Lending Limits*" in this Base Prospectus.

According to the Bank's credit policy each individual sector should not exceed a targeted level of 10% of total loan portfolio. Currently, the only industrial sectors that exceed this internal limitation are the energy sector and the construction sector (including infrastructure, real estate and construction), including non-cash lending. These sectors also include various sub sectors, such as the commercial real estate finance sub sector, as well as various loan types, such as project finance loans that are supported by legal commitments and collateral from the treasury and public institutions, which sub subsectors and loan types constitute a significant share of these sectors.

Limit Structure

Since 2015, in respect of corporate and commercial clients, the Bank's credit underwriting divides commercial credit products into five risk categories: cash, payment guarantee, other non-cash, cash management and derivative.

Approval Authorities

In general, the lowest level of authoritative personnel for credit approval is the branch manager for corporate and commercial loans. Up to certain thresholds, there is no involvement of credit departments at either branch or regional level.

For corporate and commercial banking, at the level of the Regional Manager and above, the credit department will be involved and their credit opinion will be binding. If a credit opinion is negative, the credit proposal may either be passed onto a higher authority or be rejected.

The corporate and commercial banking credit department is authorised to approve loans above USD 250,000 or above the adjusted limit (after taking rating and product coefficients into account capped with a nominal limit of USD 500,000). There is no sales authority for SME and Medium Enterprises ("ME") customers.

There is no sales authority for business banking and SME/ME underwriting. The business banking credit underwriting department has authority and evaluates all credit decisions except those which are automated. The Bank's system is fully automated for business banking underwriting up to TL 150,000. For all other loans, the underwriting policy is applied.

For the SME, ME, commercial and international and multinational banking customers, the corporate & commercial credit underwriting department is organised into twenty-two regions (eight in Istanbul and fourteen in Anatolia) and in the Bank's head office. The rating system, as well as the results from internal and external inquiries, are among the major parameters for credit decisions in underwriting. Relevant external and internal information is gathered and fed into the underwriting tools automatically. New and existing clients with bad ratings are rejected automatically for SME customers whereas clients with ratings that meet certain thresholds are approved automatically by the system in SME and ME segements. There is no automatic approval or rejection for corporate & commercial customers.

Higher Credit and/or Reputation Risk Loans

Certain types of transactions entail a higher credit and/or reputation risk for the Bank and are therefore either discouraged or require a higher level of approval. The Bank applies higher levels of approval and a prudent approach towards loans in other sectors, such as media, health and arms and weapons dealings.

Corporate and Commercial Lending

Corporate and commercial underwriting is performed by three units: the corporate credit underwriting section, the commercial credit underwriting section and the specialised credit underwriting section. The corporate credit underwriting section considers credit applications of companies with an annual turnover above U.S.$100 million or annual foreign trade volume above U.S.$30 million or companies considered clients of the corporate strategic business unit. The commercial credit underwriting section reviews credit applications of companies with an annual turnover between U.S.$10 million and U.S.$100 million or annual foreign trade volume between U.S.$1 million and U.S.$30 million. The commercial credit underwriting section has both regional and head office organisation. There are twenty-two underwriting regions (eight in Istanbul and fourteen in Anatolia) in addition to the Bank's head office. The specialised credit and corporate credit teams are located in the head office. The specialised credit team analyses the credit requests for energy (hydro, wind, solar, thermal, biomass, distribution etc.), real estate (shopping centres or mixed type projects), shipping (ship construction and ship operation) and mergers and acquisitions.

SME and ME lending is performed within the corporate & commercial credit department. The SME and ME segments consists of companies having turnover between TL 2 million to USD 10 million and total bank exposure between TL 0.5 million and 5 million.

Retail Lending

Retail underwriting utilises scorecards, decision trees and rule sets to evaluate the creditworthiness of applications. Once the data entry for credit card and individual loan applications is performed, inquiries to external sources (including the credit bureau and the Central Bank) and internal data sources (including customer information file and product performance) are run. Retail application scores are calculated through a computerised system. Once the inquiries are completed, the data is sent to the decision engine, where decision trees, data methods, and rule sets are checked and the final decision is provided. Loan to value ratios are up to 80% for residential mortgage loans, 50% for working premises loans and 70% for car loans with a vehicle value of up to TL 100,000. If the invoice amount is greater than TL 100,000, the loan to value ratios are up to 70% for the amount up to TL 100,000 and up to 50% for the remainder.

Credit card limits are calculated as twice the monthly net income of the customer for the first year. For the second and subsequent years, credit limits are calculated as four times the monthly net income of the customer.

The Bank's system is fully automated for business banking underwriting up to TL 150,000. For all other loans about which the system cannot make a credit decision, the underwriting policy is applied.

There is no sales authority for business banking. The business banking credit underwriting department has authority and evaluates all credit decisions except those which are automated.

Rating Models

For corporate and commercial clients, internal application rating models integrated within the underwriting process assign a probability of default to each borrower. The model is composed of various customer segments, including construction, production, trade, and services, as well as modules that encompass information domains. These domains include central bank data, balance sheet data, negative intelligence data, and Yapı Kredi behaviour data (including information on limit/risk utilization and delinquency statistics). The categories stated above involve the quantitative side of the model; however, a module for the qualitative portion of assessment is also used.

Though independently rated, all four segments have been unified to establish a single rating system consisting of 16 different ratings.

The behavioural scorecards are rating models that are aimed at measuring the creditworthiness of existing clients. The behavioural scorecard for corporate and commercial clients was updated in January 2018. The model has the same structure (segments and module) as the application model.

For SME portfolios, the behavioural rating model was updated in January 2018 with the introduction of two sub-models assigned to each of the segments described below. The rating model for clients belonging to the "Big" segment has 11 buckets while the model for clients belonging to the "Small" segment has 16 buckets.

The outcomes of rating models reflect the riskiness of each rated customer/credit, and generic provisions are set aside in accordance with each performing client's/credit's rating. These differentiated evaluation methodologies and processes are based on market segments and give the Bank the ability to measure, manage and monitor credit risk in a more accurate way.

Loan Loss Provisioning Policy

For purposes of loss provisioning the loans are divided into five groups.

- 1st group: Includes standard loans and other receivables, reimbursement of which has been made within the specified periods or for which no reimbursement problems are expected in the future, and which can be fully collected. No deterioration in the credit risk of the debtor has been observed.

- 2nd group: Includes closely monitored loans and other receivables with respect to which there is no problem at present but which the Bank believes should be more closely monitored for reasons such as decreasing solvency or cash flow problems of the debtor, significant financial risk carried by the debtor, or more generally for which capital sum and interest repayments are likely to fail and the persistence of such problems might result in partial or full non-payment risk.

- 3rd group: Includes loans and other receivables with limited collection ability. These include loans with respect to which the collection of the principal sum and/or interest has been delayed for more than 90 days but less than 180 days from the due date.

- 4th group: Includes doubtful loans and other receivables with respect to which the collection of the principal and/or interest has been delayed for more than 180 days but less than one year from the due date.

- 5th group: Includes loans and other receivables, which are considered as a loss. These include loans that are deemed to be uncollectable, or where collection of principal and/or interest has been delayed by one year or more from the due date.

Starting from 1 January 2018, the Bank's classification of financial assets (especially in loans and receviables) and calculation of provisions changed according to TFRS 9.

In accordance with TFRS 9, the Bank's loan loss provisioning policy was replaced by the expected credit loss ("**ECL**") model. ECL estimates are required to be unbiased, probability-weighted, and should include supportable information about past events, current conditions, and forecasts of future economic conditions. The ECL should reflect multiple macroeconomic scenarios and include the time value of money. The ECL model applies to all on-balance financial assets accounted for at amortized cost and fair value through other comprehensinve income ("**FVOCI**") such as loans and debt securities, as well as to off-balance items such as certain loan commitments, financial guarantees, and undrawn revolving credit facilities.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

- Stage 1: For financial assets at initial recognition or which do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded on the basis of 12-month expected credit losses.

- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

- Stage 3: Includes financial assets which have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognized and interest revenue is calculated on the net carrying amount.

Exposure to Credit Risk

The top 20 clients of the Bank mainly include leading conglomerates and state owned enterprises in Turkey. As of 30 September 2019 the share of the top 20 companies in terms of the total gross loans to companies amounted to 15.2%. The Bank has not experienced any deterioration in the credit quality of these clients.

Market Risk Management

As part of a financial group, the Bank is constantly exposed to interest rate, liquidity and foreign exchange risks. The Bank's market risk policy provides for guidelines with respect to the market risk management and binding limit structure and defines roles and responsibilities of the various teams involved. Market risk is managed based on the treatment of the Bank's banking and trading books. The banking book consists of all assets and liabilities arising from commercial activities, and is sensitive to interest rate and foreign exchange movements. The trading book includes positions held for trading, client servicing purposes or keeping the Bank's market making status. The Bank's market risk management strategy, policies and guidelines are based on UniCredit Group standards as well as on the Turkish regulatory rules and procedures.

The Bank's trading activity is realised on foreign exchange, securities and derivatives, which are tolerated within predefined limits. Risk limits are set in terms of end-of-day and intra-day position basis, as well as value at risk ("**VaR**"), monitored on a daily basis. Monitoring of trading activity is performed daily through reports prepared by the market Risk Management department, which show VaR positions and stop-loss limits, in addition to back-testing profit and loss figures. These reports are then sent to the Bank's executive management, the Treasury department and the UniCredit risk management group.

The banking book's interest rate risk is measured daily on basis point sensitivity and monthly through the economic value perspective. The economic value sensitivity method calculates the potential change in fair value of the Bank's interest rate positions resulting from a parallel upward or downward shift of the yield curve. As outlined in Basel II, this interest rate fluctuation is to be maintained within 20% of the Bank's core Tier 1 and Tier 2 capital. Interest rate swaps are utilised to mitigate the banking book interest rate risk resulting from the maturity mismatch. Besides Economic Value Sensitivity, an overall VaR, covering all on and off balance sheet items and Basis Point Value methods are used to measure the structural interest rate risk. Structural foreign exchange position risk limits and VaR are also monitored daily and reported to the executive management.

The Bank monitors liquidity risk daily, paying particular attention to keeping enough cash and cash equivalent instruments to fund increases in assets, unexpected decreases in liabilities, as well as meeting legal requirements, while optimising the cost of carrying any excess liquidity. The liquidity policy provides guidelines to quantify the liquidity position and achieve a sound balance between profitability and liquidity needs. Liquidity risk limits are set both for short term and structural long term liquidity positions. The Bank has its own liquidity contingency plan on liquidity management. As part of the UniCredit Group, the Bank is included in the UniCredit Group liquidity contingency plan. Moreover, the Bank maintains the majority of its securities portfolio as marketable, thus facilitating access to repo market as and when short liquidity is needed.

The Bank's market risk management procedures may be impacted by UniCredit's decision to reduce its stake in the Bank. See "*Recent Developments*".

The Bank's derivative instruments are limited to financial instruments such as forwards, swaps, futures and options in foreign exchange and capital markets. These transactions are considered effective economic hedges under the Group's management policies.

As part of its market risk management, the Group undertakes various hedging strategies. The Group also enters into interest rate swaps to match the interest rate risk associated with the fixed rate long-term loans.

Fair value hedges

Since 1 March 2009, the Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest Turkish Lira mortgage and car loan portfolios, as well as changes in foreign exchange rates on part of its foreign currency borrowed denominated funds, using cross currency rate swaps. The net carrying value of hedging instruments as of 30 September 2019 amounted to liabilities of TL 264,380 thousand compared with assets of TL 313,994 thousand as of 31 December 2018, TL 204,859 thousand as of 31 December 2017 and TL 205,519 thousand as of 31 December 2016. As of 30 September 2019, the mark to market difference of the hedging instruments since the inception date of the hedge relationship was a loss of TL 7,897 thousand compared with a gain of TL 20,740 thousand as of 31 December 2018, with a gain of TL 19,091 thousand as of 31 December 2017 and a gain of TL 14,710 thousand as of 31 December 2016. As of 30 September 2019, the fair value difference of the hedged item was TL 36,268 thousand compared with TL 44,165 thousand as of 31 December 2018, TL 23,425 thousand as of 31 December 2017 and TL (8,587) thousand as of 31 December 2016.

Their changes in fair value amounted to a decrease of TL 7,897 thousand as of 30 September 2019, a decrease of TL 20,740 thousand as of 31 December 2018, a decrease of TL 19,091 thousand as of 31 December 2017 and an increase of TL 14,710 thousand as of 31 December 2016.

Cash flow hedges

The Group is exposed to fluctuations in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges to guard against these interest rate risks.

In order to hedge its cash flow risk from liabilities, the Group has applied cash flow hedge accounting since 1 January 2010.

For the nine months ended 30 September 2019 and the years ended 31 December 2018, 2017 and 2016, gains of TL 324,607 thousand, TL 41,508 thousand, TL 6,987 thousand and TL 5,290 thousand, respectively, were recognised in the statement of income due to the ineffectiveness of cash flow hedges.

As of the 30 September 2019 and the years ended 31 December 2018, 2017 and 2016, net gains and losses arising from cash flow hedges recognised under equity, net of reclassification to statement of income and net of tax, were TL (2,837,331) thousand, TL 906,613 thousand, TL 457,541 thousand and TL 111,184 thousand respectively.

Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings.

The Group's euro denominated borrowing is designated as a hedge of the net investment in certain of the Group's euro denominated subsidiaries. The total amount of borrowing designated as a hedge of the net investment as of 30 September 2019 was EUR 447 million compared to EUR 430 million as of 31 December 2018, EUR 410 million as of 31 December 2017 and EUR 386 million as of 31 December 2016.

Stress tests

Stress tests provide an indication of the potential size of the losses that could arise in extreme conditions. The stress tests carried out by risk management, also indicated in the market risk policy of the Group, include foreign exchange and interest rate stress testing, where stress movements are applied to the foreign exchange position and to the banking book. The results of the stress tests are reviewed by the Asset and Liability Management function within the Executive Committee. Following the implementation of the Internal Capital Adequacy Assessment Process by the local regulator in Turkey, the Bank also calculates bank-wide stress tests.

Foreign exchange risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set by the Board on the level of exposure in aggregate for both overnight and intra-day positions, which are monitored on a daily basis. The Bank performs periodic stress tests on foreign currency VaR by implementing different scenarios. These stress test scenarios are periodically renewed and monitored in accordance with market volatility.

Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuation in the prevailing levels of market interest rates in both its fair value and cash flow risks. Interest rate risk limits are set in terms of a total economic value sensitivity limit. Legal interest rate risk in the banking book is performed according to a scenario of 4% shift in Turkish Lira yield curve and 2% shift in foreign exchange yield curve. The resulting profit/loss should not exceed 20% of the Bank's Capital. Moreover, the BPV is applied for the banking book. The BPV limit restricts maximum interest rate risk position by currency and time buckets with valuation changes being based on an interest rate change of 0.01%.

In 2009 the Bank started to hedge a portion of its interest rate risk between its medium- and long-term fixed rate Turkish Lira loans (such as mortgages) and its Turkish Lira deposits, which have a relatively short maturity when compared to the Bank's assets. The Bank hedged this exposure by creating fixed rate medium/long-term Turkish Lira funding via cross currency interest rate swap contracts (U.S. dollars against Turkish Lira) and interest rate swaps.

The tables below set out the Group's exposure to interest rate risk as of 30 September 2019, 31 December 2018, 2017 and 2016 in TL thousands. The tables include the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	As of 30 September 2019						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	18,951,642	—	—	—	—	27,937,774	46,889,416
Banks	15,646,960	1,626,794	526,395	60,466	—	9,719,166	27,579,781
Financial assets at fair value through profit/loss	—	31,298	93,390	14,340	73,654	440,905	653,587
Receivables from money markets	2,418,805	—	—	—	—	—	2,418,805
Financial assets whose fair value change is reflected in the other comprehensive income statement	5,133,646	2,402,153	9,856,161	6,863,437	2,165,256	80,144	26,500,797
Loans	35,522,356	33,635,297	72,125,899	81,716,077	12,500,152	532,322	236,032,103
Financial assets measured at amortised cost	1,302,562	1,441,068	10,798,222	3,406,871	10,282,717	—	27,231,440
Other assets	1,171,408	1,829,912	883,632	1,429,975	245,571	23,993,657	29,554,155
Total assets	**18,951,642**	—	—	—	—	**27,937,774**	**46,889,416**
Liabilities							
Bank deposits	3,215,601	108,304	42,370	—	—	747,259	4,113,534
Other deposits	123,575,924	29,915,200	10,392,835	2,497,506	246,013	47,747,136	214,374,614
Funds from money market	3,467,909	75,665	718,224	—	—	—	4,261,798
Miscellaneous payables	—	—	—	—	—	15,640,175	15,640,175
Marketable securities issued	8,386,233	7,829,442	10,212,110	—	—	—	26,427,785
Funds borrowed from other financial institutions	8,230,544	18,369,304	12,113,652	4,450,969	1,228,019	—	44,392,488
Other liabilities and shareholders' equity	1,532,495	12,590,898	4,794,589	13,943,007	5,491,731	49,296,970	87,649,690
Total liabilities	**148,408,706**	**68,888,813**	**38,273,780**	**20,891,482**	**6,965,763**	**113,431,540**	**396,860,084**
Balance sheet long position	—	—	**56,009,919**	**72,599,684**	**18,301,587**	—	**146,911,190**
Balance sheet short position	**(68,261,327)**	**(27,922,291)**	—	—	—	**(50,727,572)**	**(146,911,190)**
Off-balance sheet long position	12,004,484	35,101,908	—	—	—	—	47,106,392
Off-balance sheet short position	—	—	**56,009,919**	**72,599,684**	**18,301,587**	—	**146,911,190**
Total position	**(56,256,843)**	**7,179,617**	**49,184,136**	**38,001,341**	**12,452,204**	**(50,727,572)**	**(167,117)**

	As of 31 December 2018						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	26,927,180	—	—	—	—	29,904,128	**56,831,308**
Banks	1,054,624	788,121	1,506,119	84,687	—	1,836,089	**5,269,640**
Financial assets at fair value through profit/loss	—	5	937	14,744	52,657	179,813	**248,156**
Money market placements	12,318	84,708	20,205	—	—	—	**117,231**
Available-for-sale financial assets	3,051,441	5,368,953	8,543,658	6,677,678	3,175,156	66,794	**26,883,680**
Loans	39,696,958	34,672,686	76,379,072	73,130,920	12,319,526	(1,231,206)	**234,967,956**
Held-to-maturity investments	4,328,097	2,591,160	2,419,269	3,586,492	9,880,661	—	**22,805,679**
Other assets	1,077,966	2,467,754	1,782,536	3,296,959	489,372	17,138,017	**26,252,604**
Total assets	**76,148,584**	**45,973,387**	**90,651,796**	**86,791,480**	**25,917,372**	**47,893,635**	**373,376,254**
Liabilities							
Bank deposits	8,826,637	337,899	230,691	—	—	1,012,074	**10,407,301**
Other deposits	115,485,681	36,179,812	10,339,682	2,577,490	195,126	35,106,381	**199,884,172**
Funds from money market	2,093,895	443,570	982,748	—	—	—	**3,520,213**
Miscellaneous payables	—	—	—	—	—	14,662,414	**14,662,414**
Marketable securities issued	680,654	5,088,792	3,257,971	9,870,672	2,544,114	—	**21,442,203**
Funds borrowed from other financial institutions	9,335,403	22,115,474	7,032,452	6,690,421	1,898,252	—	**47,072,002**
Other liabilities and shareholders' equity	1,692,331	17,375,026	7,193,432	1,938,715	604,114	47,584,331	**76,387,949**
Total liabilities	**138,114,601**	**81,540,573**	**29,036,976**	**21,077,298**	**5,241,606**	**98,365,200**	**373,376,254**
Balance sheet long position	—	—	**61,614,820**	**65,714,182**	**20,675,766**	—	**148,004,768**
Balance sheet short position	**(61,966,017)**	**(35,567,186)**	—	—	—	**(50,471,565)**	**(148,004,768)**
Off-balance sheet long position	13,237,750	31,963,808	—	—	—	—	45,201,558
Off-balance sheet short position	—	—	(3,722,500)	(33,959,108)	(7,726,791)	—	(45,408,399)
Total position	**(48,728,267)**	**(3,603,378)**	**57,892,320**	**31,755,074**	**12,948,975**	**(50,471,565)**	**(206,841)**

	As of 31 December 2017						
	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**5 years and over**	**Non-interest bearing**	**Total**
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	24,310,693	—	—	—	—	18,141,277	**42,451,970**
Banks	2,228,405	962,918	378,192	—	—	1,267,697	**4,837,212**
Financial assets at fair value through profit/loss	1,288,265	1,446,905	732,989	456,707	266,772	38,442	**4,230,080**
Money market placements	817,005	—	—	—	—	—	**817,005**
Available-for-sale financial assets	2,919,646	4,497,489	6,552,573	7,178,172	3,095,993	252,651	**24,496,524**
Loans	35,840,806	28,636,612	64,250,098	59,321,829	11,824,722	2,124,720	**201,998,787**
Held-to-maturity investments	1,274,198	1,617,022	2,551,131	1,166,133	7,588,582	—	**14,197,066**
Other assets	2,576,869	2,563,465	3,170,180	7,116,493	947,801	10,662,666	**27.037.474**
Total assets	**71,255,887**	**39,724,411**	**77,635,163**	**75,239,334**	**23,723,870**	**32,487,453**	**320,066,118**
Liabilities							
Bank deposits	7,323,732	918,218	374,006	180,657	—	636,676	**9,433,289**
Other deposits	100,218,389	21,934,939	8,864,874	1,495,220	168,085	31,268,837	**163,950,344**
Funds from money market	14,863,333	1,023,972	168,835	—	—	—	**16,056,140**
Miscellaneous payables	—	—	—	—	—	12,754,229	**12,754,229**
Marketable securities issued	1,020,721	9,701,148	3,222,011	7,399,208	1,934,783	—	**23,277,871**
Funds borrowed from other financial institutions	11,723,277	10,596,151	11,324,147	6,843,545	1,862,933	—	**42,350,053**
Other liabilities and shareholders' equity	1,191,465	860,765	982,538	4,694,916	6,131,340	38,383,168	**52,244,192**
Total liabilities	**136,340,917**	**45,035,193**	**24,936,411**	**20,613,546**	**10,097,141**	**83,042,910**	**320,066,118**
Balance sheet long position	**—**	**—**	**52,698,752**	**54,625,788**	**13,626,729**	**—**	**120,951,269**
Balance sheet short position	**(65,085,030)**	**(5,310,782)**	**—**	**—**	**—**	**(50,555,457)**	**(120,951,269)**
Off-balance sheet long position	12,080,130	24,294,289	—	—	—	—	36,374,419
Off-balance sheet short position	—	—	(3,383,971)	(27,300,898)	(7,175,587)	—	(37,860,456)
Total position	**(53,004,900)**	**18,983,507)**	**49,314,781**	**27,324,890**	**6,451,142**	**(50,555,457)**	**(1,486,037)**

	As of 31 December 2016						
	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**5 years and over**	**Non-interest bearing**	**Total**
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	18,716,507	—	55,603	—	—	14,311,185	**33,083,295**
Banks	1,288,116	621,003	202,417	1,083	—	1,336,347	**3,448,966**
Financial assets at fair value through profit/loss	1,084,075	799,785	431,598	429,746	288,991	6,635	**3,040,830**
Money market placements	252	—	—	—	—	—	**252**
Available-for-sale financial assets	2,391,170	4,113,076	5,798,470	3,475,043	2,404,967	203,383	**18,386,109**
Loans	28,880,789	31,619,615	54,549,782	40,263,114	21,172,537	2,178,585	**178,664,422**
Held-to-maturity investments	11,601	868,075	1,505,914	1,645,515	7,557,785	—	**11,588,890**
Other assets	3,196,759	1,871,657	2,091,349	5,027,780	766,035	9,968,246	**22,921,826**
Total assets	**55,569,269**	**39,893,211**	**64,635,133**	**50,842,281**	**32,190,315**	**28,004,381**	**271,134,590**
Liabilities							
Bank deposits	6,263,450	598,498	696,516	—	—	613,650	**8,172,114**
Other deposits	87,315,238	25,054,236	8,862,812	981,506	133,683	26,568,606	**148,916,081**
Funds from money market	6,699,947	915,685	1,502,348	87,049	—	—	**9,205,029**
Miscellaneous payables	—	—	—	—	—	11,162,787	**11,162,787**
Marketable securities issued	598,290	10,802,731	1,112,075	5,530,026	37,345	—	**18,080,467**
Funds borrowed from other financial institutions	7,530,570	10,149,293	10,240,290	1,853,121	735,500	—	**30,508,774**
Other liabilities and shareholders' equity	604,694	348,832	597,932	905,572	9,272,345	33,359,963	**45,089,338**
Total liabilities	**109,012,189**	**47,869,275**	**23,011,973**	**9,357,274**	**10,178,873**	**71,705,006**	**271,134,590**
Balance sheet long position	—	—	**41,623,160**	**41,485,007**	**22,011,442**	—	**105,119,609**
Balance sheet short position	**(53,442,920)**	**(7,976,064)**	—	—	—	**(43,700,625)**	**(105,119,609)**
Off-balance sheet long position	9,992,141	17,275,624	—	—	—	—	27,267,765
Off-balance sheet short position	—	—	(2,350,770)	(16,392,589)	(8,159,895)	—	(26,903,254)
Total position	**(43,450,779)**	**9,299,560**	**39,272,390**	**25,092,418**	**13,851,547**	**(43,700,625)**	**364,511**

Liquidity Risk

Liquidity risk arises from mismatches between maturities of assets and liabilities, which may result in the Bank being unable to meet its obligations in a timely manner. The Bank's liquidity risk is managed as part of the asset and liability management strategy in accordance with the Bank's market risk policies. In order to manage this risk, the Bank's funding sources are diversified and the Bank believes that it holds sufficient cash and cash equivalents to fund its liabilities in the event such mismatches occur. During the monthly meetings of the Asset and Liability Management function within the Executive Committee, the liquidity position of the Group is evaluated and measures are implemented if necessary.

The Bank uses the following definitions with respect to the components of liquidity risk:

(a) Liquidity mismatch risk refers to the risk of non-conformity between the amounts and/or the maturities or cash inflows and cash outflows;

(b) Liquidity contingency risk refers to the risk that future unexpected events could require a greater amount of liquidity than the amount estimated necessary by the Bank. This risk could arise as a result of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis; and

(c) Market liquidity risk refers to the risk that the Bank may incur losses as a result of the sale of assets deemed to be liquid, or in extreme conditions is unable to liquidate such positions due to insufficient liquidity offered by the market or keeps the position that is too large when compared to market turnover.

Reports on short-term liquidity positions and structural liquidity positions are prepared by the Bank's risk management department. Short-term liquidity risk management focuses on events that can impact upon the Bank's liquidity position from one day and up to three months. Structural liquidity positions focus on events effecting the Group's long-term liquidity position. The primary objective is to maintain an adequate ratio between total liabilities and medium or long-term assets, with a view of avoiding pressures on short-term sources (both current and future), while optimising the cost of funding.

According to the BRSA Communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. The risk management department performs the calculation of the above-mentioned ratios on a daily basis and shares the results with the Treasury department and the Bank's senior management. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Liquidity Reserve Requirement*".

A significant portion of the Group's funding base consists of deposits and funds borrowed. As of 30 September 2019, deposits comprised 55.05% of the Bank's total liabilities and, of all deposits, 93.85% had maturities of three months or less. As of 30 September 2019, loans comprised 63.61% of the Bank's total assets and, of all loans and receivables, 24.97% had maturities of three months or less.

The following tables set forth the Group's breakdown of financial liabilities according to their remaining contractual maturities as of 31 December 2018, 2017 and 2016 in TL thousands:

	As of 31 December 2018					
	Demand and up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Above 5 years**	**Total**
	(TL, thousands)					
Liabilities						
Deposits	161,540,983	37,838,275	11,319,874	2,595,039	195,126	213,489,297
Funds borrowed from other financial institutions	5,082,465	6,125,162	24,127,513	12,611,773	6,752,919	54,699,832
Funds from money market	2,111,549	446,183	1,003,309	—	—	3,561,041
Subordinated loans	—	204,319	622,570	13,598,201	3,189,421	17,614,511
Marketable securities issued	958,512	2,495,592	3,860,371	13,298,497	3,020,060	23,633,032
Total	**169,693,509**	**47,109,531**	**40,933,637**	**42,103,510**	**13,157,526**	**312,997,713**

	As of 31 December 2017					
	Demand and up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Above 5 years**	**Total**
	(TL, thousands)					
Liabilities						
Deposits	140,182,673	22,457,141	9,462,133	1,385,188	1,614,526	175,101,661
Funds borrowed from other financial institutions	3,189,053	4,151,957	22,121,615	17,626,315	8,276,882	55,365,822
Funds from money market	14,910,780	1,005,980	168,835	—	—	16,085,595
Subordinated loans	—	141,647	446,133	6,090,660	6,524,937	13,203,377
Marketable securities issued	1,078,651	1,510,477	3,791,898	17,183,426	2,110,435	25,674,887
Total	**159,361,157**	**29,267,202**	**35,990,614**	**42,285,589**	**18,526,780**	**285,431,342**

	As of 31 December 2016					
	Demand and up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Above 5 years	Total
	(TL, thousands)					
Liabilities						
Deposits	121,503,298	25,967,821	9,778,772	986,930	133,707	158,370,528
Funds borrowed from other financial institutions	1,582,766	2,812,256	20,122,521	7,814,443	2,654,499	34,986,485
Funds from money market	6,718,374	922,314	1,515,507	87,049	—	9,243,244
Subordinated loans	—	131,831	416,029	2,163,955	10,147,038	12,858,853
Marketable securities issued	634,449	4,311,511	1,345,780	7,433,015	5,300,698	19,025,453
Total	**130,438,887**	**34,145,733**	**33,178,609**	**18,485,392**	**18,235,942**	**234,484,563**

Operational Risk Management

Operational risk is related to losses which arise as a result of inadequate or ineffective internal processes, personnel or systems or due to external events. The operational risk management team monitors the Bank's operational and reputational risk exposure in accordance with the Bank's standards and policies, collects operational risk data in a web-based database, identifies risk indicators, conducts scenario analysis assessment, plans for business continuity management and assures the quality of data gathered in accordance with Basel II standards, proposes insurance hedging on operational risks, prepares risk mitigation plans and coordinates IT risk management activities. The operational risk management department performs second level controls, manages and measures the Bank's operational risks.

The Bank's objective is to implement the advanced measurement approaches of Basel II and related measurement systems in operational risk management. As part of the Basel II operational risk project, the Bank has been collecting data on internal operational risk since 2004. Data on internal losses are collected from various departments and branches using wed-based systems. Scenario analysis studies for measuring and managing the impacts of unrealised potential operational risk have been performed since 2008. Key risk indicator analyses have been performed to monitor current and potential operational risk exposure of the Bank since 2007. A dedicated database was established for monitoring the trends of key risk indicators. Moreover, a risk based insurance management approach was used to seek to minimise main operational risks that the Bank is exposed to. These actions have resulted in minimising internet fraud, enhancing the effectiveness of the risk transfer mechanism and helped senior management to better understand and monitor the main risk factors associated with banking activities. Additionally, potential risk evaluations were made before launching new products and services and the findings were shared with related departments so that necessary measures could be taken. Besides, both for IT and logistics purposes, the business continuity management activities and investments were accomplished and necessary tests were performed.

For regulatory and statutory capital adequacy ratio purposes, the Group calculated the amount subject to operational risk on a consolidated basis with the basic indicator method in accordance with Section 3 of "*Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio*" published by the Official Gazette No. 29111 dated 6 September 2014, namely "*The Calculation of the Amount Subject to Operational Risk*", based on the gross income of the Group for the years ended 2018, 2017 and 2016. As of 30 September 2019, the total amount subject to operational risk was calculated as TL 26,507,024 thousand, compared to TL 20,973,958 thousand as of 31 December 2018, TL 18,068,782 thousand as of 31 December 2017 and TL 14,338,007 thousand as of 31 December 2016.

As of 30 September 2019, the amount of the related capital requirement was TL 2,120,562 thousand, compared to TL 1,677,917 thousand as of 31 December 2018, TL 1,445,503 thousand as of 31 December 2017 and TL 1,147,041 thousand as of 31 December 2016.

Capital Management

Banks in Turkey are required to comply with capital adequacy guidelines published by the BRSA. These capital adequacy guidelines are based on standards established by BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

In accordance with the guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%, Tier 1 ratio of a minimum of 6% and CET 1 ratio of minimum of 4,5% By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) determine a different calculation and submission period for capital adequacy ratio for each bank. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The Bank and its individually regulated operations were in compliance with all of the above mentioned capital adequacy requirements as of 30 September 2019.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 30 September 2019 in TL thousands unless otherwise stated:

	As of 30 September 2019	**As of 31 December 2018**
Common Equity Tier 1 Capital		
Paid-up Capital	8,447,051	8,447,051
Share issue premiums	556,937	556,937
Retained earnings	25,884,402	21,216,976
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	4,288,659	5,647,070
Profit	4,976,694	6,307,380
Net profit of the period	3,336,740	4,667,426
Profit of the previous years	1,639,954	1,639,954
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	9,093	6,331
Minority interest	659	611
Common Equity Tier 1 capital before regulatory adjustments	**44,163,495**	**42,182,356**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	40,644	54,299
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	2,627,487	3,175,078
Improvement costs for operating leasing	121,583	107,326
Goodwill (net of related tax liability)	979,493	979,493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	833,393	789,064
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
Cash-flow hedge reserve	—	1,513,584
Shortfall of provisions to expected losses	—	—
Securitisation gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Defined-benefit pension fund net assets	—	—
Investments in own shares	—	—
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	—	—
Mortgage servicing rights (amount above 10% threshold)	—	—
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	—
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	—	—
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	—	—
The amount above threshold for mortgage servicing rights	—	—
The amount above threshold for deferred tax assets arising from temporary differences	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—
Total regulatory adjustments to Common equity Tier 1	**4,602,600**	**7,686,876**
Common Equity Tier 1 capital (CET1)	**39,560,895**	**34,495,480**
Additional Tier 1 Capital	—	—
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	—	—

	As of 30 September 2019	As of 31 December 2018
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	3,678,415	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	—	—
Additional Tier 1 capital before regulatory adjustments	—	—
Additional Tier 1 capital: regulatory adjustments	—	—
Investments in own Additional Tier 1 instruments	—	—
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	—	—
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	—	—
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—
Total regulatory adjustments to Additional Tier 1 capital	—	—
Total Additional Tier 1 capital	—	—
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**43,239,310**	**34,495,480**
Tier 2 Capital		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	6,538,260	7,070,650
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	509,373	711,040
Shares of Third Parties in Additional Tier I Capital	—	—
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	—	—
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,808,608	2,720,587
Tier 2 capital before regulatory adjustments	**9,856,241**	**10,502,278**
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	—	—
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	105,903	87,791
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	—	—
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Total regulatory adjustments to Tier 2 capital	**105,903**	**87,791**
Total Tier 2 capital	**9,750,338**	**10,414,487**
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**52,945,011**	**44,866,207**
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	11,143	4,893
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and held for Sale but Retained more than Five Years [(2)]	—	—
National specific regulatory adjustments which shall be determined by the BRSA	33,494	38,866
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—

	As of 30 September 2019	As of 31 December 2018
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Own Funds	—	—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**52,945,011**	**44,866,207**
Total Risk Weighted Assets	**317,758,049**	**302,881,004**
Capital Adequacy Ratios		
Consolidated Common Equity Tier 1 Capital Adequacy Ratio(%)	12.45	11.39
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.61	11.39
Consolidated Capital Adequacy Ratio (%)	16.66	14.81
Buffers		
Institution specific buffer requirement of the Bank	4.053	3.042
Capital conservation buffer requirement (%)	2.500	1.875
Bank's specific countercyclical buffer requirement (%)	0.053	0.042
Systemically important Bank buffer (%)	1.500	1.125
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.608	5.389
Amounts below the thresholds for deduction (before risk weighting)	—	—
Non-significant investments in the capital of other financials	—	—
Significant investments in the common stock of financials	—	—
Mortgage servicing rights (net of related tax liability)	—	—
Deferred tax assets arising from temporary differences (net of related tax liability)	3,447,296	2,576,876
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before 10,025 limitation)	6,175,282	5,355,077
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3,600,781	3,487,932
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	—	—
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	509,373	711,040
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	4,896,029	4,549,860

(1) The specified amounts are the figures calculated for the items subject to the phasing.

(2) Represents after tax, net amount of general provisions.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2018 in TL thousands unless otherwise stated:

	As of 31 December 2018	Amounts subject to treatment before 1/1/2014(1)
Common Equity Tier 1 Capital		
Paid-up Capital	8,447,051	—
Share issue premiums	556,937	—
Retained earnings	21,216,976	—
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	5,647,070	—
Profit	6,307,380	—
Net profit of the period	4,667,426	—
Profit of the previous years	1,639,954	—
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	6,331	—
Minority interest	611	—
Common Equity Tier 1 capital before regulatory adjustments	42,182,356	—
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	54,299	—
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	3,175,078	—
Improvement costs for operating leasing	107,326	—
Goodwill (net of related tax liability)	979,493	979,493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	789,064	667,171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	
Cash-flow hedge reserve	1,513,584	—
Shortfall of provisions to expected losses	—	—
Securitisation gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Defined-benefit pension fund net assets	—	—
Investments in own shares	—	—
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	—	—
Mortgage servicing rights (amount above 10% threshold)	—	—
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	—
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	—	—
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	1,068,032	—
The amount above threshold for mortgage servicing rights	—	—
The amount above threshold for deferred tax assets arising from temporary differences	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—
Total regulatory adjustments to Common equity Tier 1	7,686,876	—
Common Equity Tier 1 capital (CET1)	34,495,480	—
Additional Tier 1 Capital		—
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	—	—
Additional Tier 1 capital before regulatory adjustments	—	—
Additional Tier 1 capital: regulatory adjustments	—	—
Investments in own Additional Tier 1 instruments	—	—
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—

	As of 31 December 2018	Amounts subject to treatment before 1/1/2014[1]
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	—	—
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	—	—
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—
Total regulatory adjustments to Additional Tier 1 capital	—	—
Total Additional Tier 1 capital	—	—
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	34,495,480	—
Tier 2 Capital		—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	7,070,650	—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711,040	—
Shares of Third Parties in Additional Tier I Capital	—	—
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	—	—
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,720,587	—
Tier 2 capital before regulatory adjustments	10,502,278	—
Tier 2 capital: regulatory adjustments		—
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	—	—
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	87,791	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	—	—
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Total regulatory adjustments to Tier 2 capital	87,791	—
Total Tier 2 capital	10,414,487	—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	44,866,207	—
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	—	—
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	4,893	—
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and held for Sale but Retained more than Five Years [2]	—	—
National specific regulatory adjustments which shall be determined by the BRSA	38,866	—
Regulatory Adjustments which will be deducted from Total Capital during the transition period	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Own Funds		—

	As of 31 December 2018	Amounts subject to treatment before 1/1/2014[(1)]
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	44,866,207	—
Total Risk Weighted Assets	302,881,004	—
Capital Adequacy Ratios		—
Consolidated Common Equity Tier 1 Capital Adequacy Ratio(%)	11.39	—
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.39	—
Consolidated Capital Adequacy Ratio (%)	14.81	—
Buffers		—
Institution specific buffer requirement of the Bank	3.042	—
Capital conservation buffer requirement (%)	1.875	—
Bank's specific countercyclical buffer requirement (%)	0.042	—
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.389	—
Amounts below the thresholds for deduction (before risk weighting)		—
Non-significant investments in the capital of other financials	—	—
Significant investments in the common stock of financials	—	—
Mortgage servicing rights (net of related tax liability)	—	—
Deferred tax assets arising from temporary differences (net of related tax liability)	2,576,876	—
Applicable caps on the inclusion of provisions in Tier 2 capital		—
General provisions for standard based receivables (before 10,025 limitation)	5,355,077	—
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3,487,932	—
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		—
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—

(1) The specified amounts are the figures calculated for the items subject to the phasing.

(2) According to the "Regulation Regarding changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, the related article has been abolished.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2017 in TL thousands unless otherwise stated:

	As of 31 December 2017	Amounts subject to treatment before 1/1/2014[(1)]
Common Equity Tier 1 Capital		
Paid-up Capital	4,347,051	—
Share issue premiums	543,881	—
Retained earnings	17,697,018	—
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	3,538,112	—
Profit	5,254,035	—
Net profit of the period	3,614,081	—
Profit of the previous years	1,639,954	—

	As of 31 December 2017	Amounts subject to treatment before 1/1/2014[(1)]
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	5,667	—
Minority interest	541	—
Common Equity Tier 1 capital before regulatory adjustments	31,386,305	—
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	91,324	—
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	1,284,479	—
Improvement costs for operating leasing	98,823	—
Goodwill (net of related tax liability)	783,594	979,493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	533,737	667,171
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	
Cash-flow hedge reserve	836,691	—
Shortfall of provisions to expected losses	—	—
Securitisation gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Defined-benefit pension fund net assets	—	—
Investments in own shares	—	—
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	—	—
Mortgage servicing rights (amount above 10% threshold)	—	—
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	—
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	—	—
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	790,411	—
The amount above threshold for mortgage servicing rights	—	—
The amount above threshold for deferred tax assets arising from temporary differences	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—
Total regulatory adjustments to Common equity Tier 1	4,419,059	—
Common Equity Tier 1 capital (CET1)	26,967,246	—
Additional Tier 1 Capital		—
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	—	—
Additional Tier 1 capital before regulatory adjustments	—	—
Additional Tier 1 capital: regulatory adjustments	—	—
Investments in own Additional Tier 1 instruments	—	—
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	—	—
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	—	—
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	329,333	—
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—

	As of 31 December 2017	Amounts subject to treatment before 1/1/2014[1]
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—
Total regulatory adjustments to Additional Tier 1 capital	—	—
Total Additional Tier 1 capital	—	—
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	26,637,913	—
Tier 2 Capital		—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5,865,305	—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	711,040	—
Shares of Third Parties in Additional Tier I Capital	—	—
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	—	—
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,130,251	—
Tier 2 capital before regulatory adjustments	9,706,596	—
Tier 2 capital: regulatory adjustments		—
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	—	—
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	72,789	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	—	—
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Total regulatory adjustments to Tier 2 capital	**72,789**	—
Total Tier 2 capital	9,633,807	—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36,132,636	—
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	—	—
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	3,885	—
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and held for Sale but Retained more than Five Years [2]	—	—
National specific regulatory adjustments which shall be determined by the BRSA	135,199	—
Regulatory Adjustments which will be deducted from Total Capital during the transition period	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Own Funds		—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	36,132,636	—
Total Risk Weighted Assets	270,278,292	—
Capital Adequacy Ratios		—
Consolidated Common Equity Tier 1 Capital Adequacy Ratio(%)	9.98	—
Consolidated Tier 1 Capital Adequacy Ratio (%)	9.86	—
Consolidated Capital Adequacy Ratio (%)	13.37	—
Buffers		—
Institution specific buffer requirement of the Bank	2.017	—
Capital conservation buffer requirement (%)	1.250	—
Bank's specific countercyclical buffer requirement (%)	0.017	—

	As of 31 December 2017	Amounts subject to treatment before 1/1/2014[1]
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	3.978	—
Amounts below the thresholds for deduction (before risk weighting)		—
Non-significant investments in the capital of other financials	—	—
Significant investments in the common stock of financials	—	—
Mortgage servicing rights (net of related tax liability)	—	—
Deferred tax assets arising from temporary differences (net of related tax liability)	1,780,093	—
Applicable caps on the inclusion of provisions in Tier 2 capital		—
General provisions for standard based receivables (before 10,025 limitation)	3,410,805	—
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	3,130,251	—
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		—
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—

(2) The specified amounts are the figures calculated for the items subject to the phasing.

(2) According to the "Regulation Regarding changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, the related article has been abolished.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2016 in TL thousands unless otherwise stated:

	As of 31 December 2016	Amounts subject to treatment before 1/1/2014[1]
Common Equity Tier 1 Capital		
Paid-up Capital	4,347,051	—
Share issue premiums	543,881	—
Retained earnings	14,539,224	—
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	3,053,077	—
Profit	4,572,749	—
Net profit of the period	2,932,795	—
Profit of the previous years	1,639,954	—
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	4,561	—
Minority interest	502	—
Common Equity Tier 1 capital before regulatory adjustments	**27,061,045**	**—**
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	19,189	—
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	939,892	—
Improvement costs for operating leasing	119,336	—
Goodwill (net of related tax liability)	587,696	979,493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	331,709	552,848

	As of 31 December 2016	Amounts subject to treatment before 1/1/2014[1]
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	
Cash-flow hedge reserve	379,150	—
Shortfall of provisions to expected losses	—	—
Securitisation gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Defined-benefit pension fund net assets	—	—
Investments in own shares	—	—
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	—	—
Mortgage servicing rights (amount above 10% threshold)	—	—
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	—
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	—	—
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	682,728	—
The amount above threshold for mortgage servicing rights	—	—
The amount above threshold for deferred tax assets arising from temporary differences	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	—
Total regulatory adjustments to Common equity Tier 1	**3,059,700**	—
Common Equity Tier 1 capital (CET1)	**24,001,345**	—
Additional Tier 1 Capital		—
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	—	—
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	—	—
Shares of Third Parties in Additional Tier I Capital	—	—
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	—	—
Additional Tier 1 capital before regulatory adjustments	—	—
Additional Tier 1 capital: regulatory adjustments	—	—
Investments in own Additional Tier 1 instruments	—	—
Reciprocal cross-holdings in Additional Tier 1 instruments	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	—	—
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	612,936	—
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	—	—
Total regulatory adjustments to Additional Tier 1 capital	—	—
Total Additional Tier 1 capital	—	—
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	**23,388,409**	—
Tier 2 Capital		—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5,472,356	—
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	1,066,560	—
Shares of Third Parties in Additional Tier I Capital	—	—

	As of 31 December 2016	Amounts subject to treatment before 1/1/2014[1]
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	—	—
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,886,021	—
Tier 2 capital before regulatory adjustments	**9,424,937**	—
Tier 2 capital: regulatory adjustments		—
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	—	—
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	109,452	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	—	—
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	—	—
National specific regulatory adjustments which shall be determined by the BRSA	—	—
Total regulatory adjustments to Tier 2 capital	**109,452**	—
Total Tier 2 capital	**9,315,485**	—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**32,484,365**	—
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	—	—
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	13,811	—
Portion of the sum of the banks' real estate net book values, which is in excess of 50% of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	11,868	—
National specific regulatory adjustments which shall be determined by the BRSA	193,850	—
Regulatory Adjustments which will be deducted from Total Capital during the transition period	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions(amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	—	—
Own Funds	—	—
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	**32,484,365**	—
Total Risk Weighted Assets	**246,436,668**	—
Capital Adequacy Ratios	—	—
Consolidated Common Equity Tier 1 Capital Adequacy Ratio(%)	9.74	—
Consolidated Tier 1 Capital Adequacy Ratio (%)	9.49	—
Consolidated Capital Adequacy Ratio (%)	13.18	—
Buffers		—
Institution specific buffer requirement of the Bank	5.512	—
Capital conservation buffer requirement (%)	0.625	—
Bank's specific countercyclical buffer requirement (%)	0.012	—
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	3.739	—
Amounts below the thresholds for deduction (before risk weighting)		—
Non-significant investments in the capital of other financials	—	—
Significant investments in the common stock of financials	—	—
Mortgage servicing rights (net of related tax liability)	—	—
Deferred tax assets arising from temporary differences (net of related tax liability)	1,218,309	—
Applicable caps on the inclusion of provisions in Tier 2 capital		—
General provisions for standard based receivables (before 10,025 limitation)	3,109,571	—

	As of 31 December 2016	Amounts subject to treatment before 1/1/2014[(1)]
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2,886,021	—
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	—	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		—
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	—	—
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	—	—

(1) The specified amounts are the figures calculated for the items subject to the phasing.

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the quoted market price, if available.

The estimated fair value of financial instruments has been determined by the Group with the use of available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data in order to develop the estimated fair value. Accordingly, the estimated fair value presented in this Base Prospectus is not necessarily indicative of the amount the Group could realise in a current market exchange transaction.

The table below indicates the carrying and estimated fair value of the financial assets and liabilities, which are not presented on the Group's balance sheet at their estimated fair value.

	As of 31 December					
	2018		2017		2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets:						
Due from money markets	117,231	117,231	817,005	817,005	252	252
Banks	5,269,563	5,280,916	4,837,212	4,839,937	3,448,966	3,450,260
Financial assets at fair value through other comprehensive income	26,939,541	26,939,541	24,496,524	24,496,524	18,386,109	18,386,109
Financial assets measured at amortised cost	22,805,679	27,598,896	14,197,066	14,109,664	11,588,890	10,981,828
Loans	234,967,956	238,815,551	201,998,787	209,211,659	178,664,422	185,565,273
Financial liabilities:						
Bank deposits	10,407,301	10,407,301	9,433,289	9,445,379	8,172,114	8,186,147
Other deposits	199,884,172	199,842,689	163,950,344	164,229,229	148,916,081	149,132,775
Funds borrowed from other financial institutions	47,072,002	46,902,531	42,350,053	41,953,431	30,508,774	30,074,417
Subordinated loans	13,557,153	13,596,916	9,718,804	9,821,399	9,067,893	9,170,193
Marketable securities issued	21,442,203	21,363,593	23,277,871	23,331,523	18,080,467	18,136,827
Miscellaneous payables	14,662,414	14,662,414	12,754,229	12,757,892	11,162,787	11,162,787

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Banks, Bank deposits and Funds borrowed from other financial institutions

The fair values of banks, bank deposits and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

Held-to-maturity assets

The fair value of held-to-maturity assets is determined based on market prices or, when these prices are unavailable, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

Loans

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches the fair value.

Available-for-sale financial assets

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available-for-sale equity securities which are not quoted in a market, and the fair values of which cannot be determined reliably, are carried at cost less any impairment.

Assets and liabilities measured at fair value

The following table presents assets and liabilities at fair value as of 31 December 2018 in TL thousands.

	Level 1	Level 2	Level 3	Total
Financial assets where fair value change is reflected to income statement	77,634	170,522	—	248,156
Financial assets where fair value change is reflected to other comprehensive income statement	24,988,310	1,942,952	—	26,931,262
Derivative financial assets	—	9,067,984	—	9,067,984
Total assets	**25,065,944**	**11,181,458**	**—**	**36,247,402**
Derivative financial liabilities	—	7,287,749	—	7,287,749
Financial liabilities at fair value through profit or loss	—	7,965,404	—	7,965,404
Total liabilities	**—**	**15,253,153**	**—**	**15,253,153**

Risk Committees

Within the Bank, risk management is performed by the Asset and Liability Management function within the Executive Committee and the Credit Committee.

The Credit Committee is responsible for: (i) determining lending guidelines in line with the credit policy, economic objectives and the overall risk profile of the credit portfolio of the Bank, (ii) granting loans within certain set limits or advising the Board with respect to granting loans exceeding such limits, (iii) defining restructuring terms for overdue loans within certain set limits or advising the Board on the same with respect to loans exceeding such limits, and (iv) performing other functions assigned to it by the Board. The Credit Committee consists of four principal members and two substitute members; namely the CEO, the Deputy CEO and two members of the Board, and the Vice Chairman and one member of the Board, respectively. The Risk Management Assistant General Manager attends the meetings by invitation. The Credit Committee meets on a weekly basis.

The decisions of the Credit Committee become immediately effective in the case of a unanimous vote. Otherwise, decisions of the Credit Committee require a majority approval from the Board.

The Asset and Liability Management function within the Executive Committee is responsible for:
(a) determining the Bank's structural risk management guidelines and policies, (b) defining risk profile management strategies, and ensuring their compliance with the Board's guidelines in terms of risk appetite, (c) optimising the level of risk that the Bank is exposed to within the guidelines set by the Board, (d) defining risk limits, (e) defining operational principles of risk management and approval of risk measurement and control models, and (f) maintaining an overview of credit, market and operational risks. The decisions of the

Asset and Liability Management function within the Executive Committee are made by unanimous vote of its permanent members. Such permanent members include the CEO, the Deputy CEO, the CFO, the Treasury Department Assistant General Manager and the Risk Management Assistant General Manager. In addition, heads of other business units as members of the Executive Committee also regularly attend meetings of the Asset and Liability Management function within the Executive Committee, including the Corporate and Commercial Banking Assistant General Manager, the Retail Banking Assistant General Manager, and the Retail Banking Sales Assistant General Manager. The Asset and Liability Management function within the Executive Committee usually meets on a weekly basis but in any case not less frequently than once a month.

MANAGEMENT

The Bank is managed by its Board of Directors, its General Manager and its senior management.

Board of Directors

Pursuant to the Bank's articles of association, the Board is responsible for the Bank's management. The Bank's articles of association stipulate that the Board should consist of a minimum of eight members elected by the General Assembly, with the General Manager holding a board seat, as required by the Banking Law. The Board is currently composed of 14 directors. Each director is appointed for a maximum term of three years. The business address of each of the directors is Yapı Kredi Plaza D Blok, Levent 34330, Istanbul, Turkey.

The following table sets forth certain information regarding each member of the Board as of the date of this Base Prospectus.

Name	Position
Ali Y. Koç	Chairman
Niccoló Ubertalli	Vice Chairman
Gökhan Erün	Executive Member and CEO
Marco Iannaccone	Executive Member and COO
Ahmet F. Ashaboğlu	Member
Levent Çakıroğlu	Member
Mirko D. G. Bianchi	Member
A. Ümit Taftalı	Member
Giovanna Villa	Member
Gianfranco Bisagni	Member (Independent)
Wolfgang Schilk	Member
Ahmet Çimenoğlu	Member (Independent)
Virma Sökmen	Member
Carlo Vivaldi	Member

Ali Y. KOC, Chairman of the Board of Directors

Ali Y. Koç graduated from Rice University in Business Administration and completed his MBA degree at Harvard Business School. Between 1990 and1991, he attended the American Express Bank Management Trainee program. Between 1992 and 1994, he worked as an Analyst at Morgan Stanley Investment Bank. Between 1997 and 2006, Mr. Koç held various senior level positions at Koç Holding such as the New Business Development Coordinator and President of the Information Technology Group. Between 2006 and 2010, he was the President of the Corporate Communications and Information Technology Group. Mr. Koç has been a Board Member of Koç Holding since January 2008 and was named Vice Chairman in February 2016. He is also the Chairman of various Koç Group companies. Additionally, Mr. Koç contributes to the country's social and economic development by serving as President of the URAK (International Competition Research Association) and as a Board Member at Endeavor Association and at DEİK (Foreign Economic Relations Board). He is also the Vice Chairman of TÜSİAD (Turkish Industry and Business Association) and a Member of the Global Advisory Council of Bank of America, Harvard University and Concil on Foreign Relations (CFR). Mr. Koç has been Board Chairman of Yapı Kredi and Koç Financial Services since April 2016.

Niccolò UBERTALLI, Executive Member and Deputy CEO

Niccolo Ubertalli graduated from Politecnico di Torino (Turin, Italy) with a Bachelor's Degree in Material Engineering in 1996 and received his Master's in Business Administration from Owen Graduate School of Management at Vanderbilt University (Tennessee, USA) in 2000. During the graduate program, he worked at Teksid Aluminum Foundry as Program Manager and Process Engineer. In 2000, Mr. Ubertalli moved to Milan (Italy) and worked at McKinsey as Senior Associate until 2002. Between 2002 and 2004, he worked at UniCredit Clarima as Director of Major Relations Divisions. Between 2004 and 2006, Ubertalli worked at MBNA (USA and UK) as First Vice President. Between 2006 and 2009, Mr. Ubertalli relocated to Bulgaria to work at UniCredit Consumer Financing as Chairman and Executive Director. In 2009, he moved back to Italy and continued his career at UniCredit as the Chief of Staff for Group CEO and between 2011 and 2012, as the

Head of Group Consumer Finance. In 2012, he moved to Romania and assumed the position of Deputy CEO at UniCredit Tiriac Bank. During his time there between 2012 and 2015, he was a Member of Management Board for UniCredit Tiriac as well as Member of Supervisory Boards for Pioneer Investments, UniCredit Consumer Finance Bulgaria, UniCredit Consumer Finance Romania and Ergo Asigurari de Viata S.A. Romania. Since February 2015, Mr. Ubertalli has continued his career in Yapı Kredi as Executive Director in Board of Directors and Deputy Chief Executive Officer (CEO). In addition, Mr. Ubertalli served as the Deputy CEO of Koç Financial Services and held positions in the Boards of various Yapı Kredi Group subsidiaries until July 2019. In July 2019, Mr. Ubertalli was appointed co-CEO Commercial Banking, CEE at UniCredit and Member of the UniCredit Executive Management Committee. He started to serve at Yapı Kredi and Koç Financial Services as Vice Chairman of the Boards.

Gökhan ERÜN, Executive Member and CEO

Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications Engineering and his graduate degree from Yeditepe University in Business Administration. In 1994, Mr. Erün began his career at the Treasury Department of Garanti Bank. Between 1999 and 2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. After becoming the CEO of Garanti Pension and Life in 2004, he was appointed as Executive Vice President of Garanti Bank in September 2005. Mr. Erün served as the Deputy CEO of Garanti Bank since September 2015, in charge of Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions. He also held positions in the Boards of various Garanti Bank subsidiaries. As of January 2018, Mr. Erün has continued his career in Yapı Kredi as Executive Director in the Board of Directors and as Chief Executive Officer (CEO). In addition, Mr. Erün is the CEO of Koç Financial Services and holds positions in the Boards of various Yapı Kredi Group subsidiaries.

Marco IANNACCONE, Executive Member and COO

Marco Iannaccone graduated from Università degli Studi di Venezia Business Administration in 1993 and completed his MBA degree at Clemson University in 2003, where he was previously a graduate assistant in 1994. Between 1995 and 1997, he worked at KPMG as Consultant. In 1997, he started to work at Andersen Consulting as Senior Consultant. In 1999 he moved to Deutsche Bank and continued his career working in several departments, last of which was as the Head of Private & Business Banking until 2002. Moving to UniCredito Italiano in 2002, Iannaccone held a number of managerial positions in the Group, including Central and Eastern Europe Mergers and Acquisitions, Business Development, Private Banking, Strategy, Planning and Control until 2008. In 2008, Iannaccone assumed the position of Chief Financial Officer and Vice President of the Management Board at Bank Pekao in Poland. Iannaccone was Assistant General Manager and CFO at Yapı Kredi from April 2013 till February 2016. Within this period, he also served at Boards of Yapı Kredi Group subsidiaries as Member. In March 2016, he started to work at UniCredit Bank Hungary as Deputy CEO and General Manager. In May 2019, he was appointed to Yapı Kredi and Koç Financial Services as Executive Director and Chief Operating Officer (COO). He is also Vice Chairman at Boards of Yapı Kredi Group subsidiaries.

Ahmet F. ASHABOĞLU, Member of the Board of Directors

Ahmet F. Ashaboğlu holds a Bachelor of Science degree from Tufts University and a Master's of Science degree from Massachusetts Institute of Technology (MIT) in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT. Between 1996 and 1999, Mr. Ashaboğlu held various positions in capital markets within UBS Warburg, New York. Between 1999 and 2003, he worked as a Consultant at McKinsey & Company, New York. In 2003, Mr. Ashaboğlu joined Koç Holding as Finance Group Coordinator. Since 2006, he has been serving as the CFO of Koç Holding. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since September 2005, Mr. Ashaboğlu is also a Board Member at Yapı Kredi Koray Real Estate Investment Trust and various Koç Group Companies.

Levent ÇAKIROĞLU, Member of the Board of Directors

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his professional life in Ministry of Finance in 1988. Between 1997 and 1998, he taught as part time instructor at Bilkent University and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. Mr. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007, the CEO of Migros between 2007 and 2008, the CEO of Arçelik between 2008 and 2015 and the President of the Durable Goods Group of Koç Holding A.Ş. between 2010 and 2015. Mr. Çakıroğlu was appointed as the Deputy CEO of Koç Holding in February 2015 and he took over the CEO post on April 2015. He is also a member of the Board of Directors of Koç Financial Services and serves in the Board of Directors of some Koç Group Companies.

Mirko D. G. BIANCHI, Member of the Board of Directors

Mirko D. G. Bianchi earned a Masters in Science degree in Chemical Process Engineering from the Swiss Federal Institute of Technology. In 1991, he also earned his MBA in Marketing & Finance from Fordham University (New York). Mr. Bianchi started his career at BCI Capital (New York) as an Equity Analyst. Between 1993 and 1998, he worked as Senior Analyst (Vice President) at Moody's Investors Service. In 1998, Mr. Bianchi joined Deutsche Bank Securities as a Director at the Global Debt Capital Markets Department. Between 2000 and 2009, he worked at UBS Investment Bank (London) as Managing Director and Global Head of Ratings Advisory. In October 2009, Mr. Bianchi joined UniCredit as Head of Group Finance in the CFO department and Co-Head of the Group Treasury. Between June 2015 and September 2016, he was appointed as CFO for Austria & CEE of UniCredit Bank Austria and served as Member of the Management Board. In September 2016, Mr. Bianchi was appointed as the CFO of UniCredit. In 2019, Mirko was appointed Co-Chief Financial Officer at UniCredit, with an enlarged role also covering Accounting & Regulatory Reporting, Group Tax Affairs and Manager in Charge Staff. He is a member of UniCredit Executive Management Committee. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since July 2015, Mr. Bianchi is also a Board Member at some UniCredit Group Companies.

A. Ümit TAFTALI, Member of the Board of Directors

A. Ümit Taftalı earned his bachelor's degree in Finance from Ball State University (Indiana) and his MBA degree from the University of South Carolina. He also participated in senior executive programs at Harvard University. Mr. Taftalı is an investment banker and wealth manager with over 30 years of international experience. He has worked in executive positions in Atlanta, New York and London for Merrill Lynch & Company, Bankers Trust Company and Goldman Sachs International. Mr. Taftalı has been representing and advising Mrs. Suna (Koç) Kıraç since 2011 and has been a Member of Koç Holding Executive Committee. He is also Board Chairman of Kare Portföy and a Board Member at Kıraça Holding. Mr. Taftalı is or has been Board/Founding Member of various philanthropic and professional organizations such as Suna-İnan Kıraç Foundation, Educational Volunteers Foundation of Turkey (TESEV), Turkish Industrialists and Businessmen Association (TÜSİAD), Saint Joseph Educational Foundation, Educational Volunteers Foundation of Turkey (TEGV), Galatasaray Sport Club, American Finance Association (USA), Financial Management Association (USA), Museum of American Financial History (USA), Ball State University Foundation (USA), Turkish Bankers Association (UK), University of South Carolina Foundation (USA). Ms. Taftalı has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Giovanna VILLA, Member of the Board of Directors (Independent)

Giovanna Villa earned her Bachelor's degree in Financial Administration from Bocconi in 1991 and obtained a Certified Public Accountant (CPA) certificate in 2000. Between 1991and 1995, Ms. Villa worked as a Senior Auditor at Pricewaterhouse Coopers. Between 1995 and 1997, she was an Assistant in the administration department at Santavaleria (an Italian listed company). In 1997, Ms. Villa provided accounting consultancy to SME companies. Between 2009 and 2011, she worked as an Assistant to the Internal Auditor at Aler Azienda Lombarda Edilizia Residenziale. Since 2000, Villa has been a Member of the Audit Committee for several companies such as Lenovo Italy, Ritrama Group, Sias Monza Circuit, Lux Vide and Malvestiti. In 2017, she was appointed as Statutory Auditor in Sias Group and Sintesi, Italian listed companies. Ms. Villa has been a Board Member of Yapı Kredi and Koç Financial Services since April 2016.

Gianfranco BISAGNI, Member of the Board of Directors

Gianfranco Bisagni holds a degree in Business Administration from Royal Melbourne Institute of Technology. He started his career in the Italian UniCredit network and shortly thereafter, moved to the United States. His first appointment was in the Chicago office. He was than relocated to New York, where he took over as

Deputy Chief Manager for the UniCredit New York branch, responsible for all the representative offices in North and South America. In 2001, he was named Chief Manager of UniCredit´s Hong Kong branch and in 2008, Head of Corporate Banking Asia Pacific & Chief Manager Hong Kong branch. In 2010, he started to serve as Head of Corporate and Investment Banking & Private Banking at UniCredit Tiriac Bank Romania, where he was also appointed a Member of the Management Board. Between 2011 and 2015, he acted as Head of Central and Eastern Europe (CEE) Corporate and Investment Banking and as Deputy Head of CEE Division of UniCredit. In April 2015, he was appointed as the Deputy and in September 2016, as the Co-Head of Corporate and Investment Banking. In March 2019 he was appointed Co-CEO of Commercial Banking, Central Eastern Europe, whilst retaining shared oversight of the CIB division, along with the Co-CEO of Commercial Banking, Western Europe. Mr. Bisagni has been Board Member of Yapı Kredi and Koç Financial Services since October 2016.

Wolfgang SCHILK, Member of the Board of Directors

Wolfgang Schilk graduated from University of Wien Law School in 1992 and completed a postgraduate management trainee program at Creditanstalt-Bankverein (CA-BV). Between 1994 and 1996, he worked at CA-BV as the Restructuring and Workout Manager responsible for Corporate Banking. Between 1996 and 2004, Mr. Schilk worked as the Head of Credit Unit at Bank Austria Creditanstalt. In 2004, he became the Head of Regional Office responsible for Corporate Banking. In 2006, he worked as the Head of Regional Office responsible for Private and SME segments. Between 2007 and 2010, he was the Head of Risk Management responsible for Private and SME segments in Bank Austria. Between 2010 and 2016, Mr. Schilk served as the Chief Risk Officer (CRO) of Yapı Kredi. In September 2016, he was appointed as UniCredit CRO for Central and Eastern Europe (CEE) region. In addition to being a Board Member at Yapı Kredi and Koç Financial Services since October 2016, Mr. Schilk is also a Supervisory Board Member at UniCredit Bank Czech Republic & Slovakia and Zagrebacka Banka.

Ahmet ÇİMENOĞLU, Member of the Board of Directors

Ahmet Çimenoğlu graduated from Department of Economics at Boğaziçi University in 1992. He started his professional life as an economist at Yapı Kredi in 1995, after completing his MA in Economics at Boğaziçi University, Istanbul. He received his PhD degree in economics at Istanbul Technical University in 2002. He worked as the Chief Economist, and Head of Strategic Planning and Research at Yapı Kredi, respectively, between July 2004 and February 2009. In March 2009, he joined Koç Holding as the Head of Economic Research. He is currently the Chief Economist of the Koç Holding. Mr. Çimenoğlu serves as a Board member at Koç Financial Services and Yapı Kredi since March 2019.

Virma SÖKMEN, Member of the Board of Directors (Independent)

Virma Sökmen has a Bachelor degree in Finance from LaSalle University. She began her professional career at research and investment banking departments of Körfezbank and Çarşı Menkul Degerler. Between 1993 and 2001, she worked at Midland Bank A.S. as a Credit Analyst. Between 2001 and 2010, she served as Corporate Banking Group President and an Executive Vice President of Corporate and Commercial Banking at HSBC. Sökmen managed corporate banking, commercial banking foreign trade and provision management, factoring, corporate and commercial insurance, corporate marketing and cash management units since 2010. Sökmen also served as the Assistant General Manager, responsible from Corporate and Commercial Banking, at HSBC. Since 2016, Sökmen has been a Managing Partner at Credia Partners. Sökmen has been a Board Member of Yapı Kredi and Koç Financial Services since March 2019.

Carlo VIVALDI, Member of the Board of Directors

Carlo Vivaldi graduated from University of Ca'Foscari (Venice, Italy), Department of Business Administration. He started his career in 1991 as Teller in Cassamarca, which merged into UniCredit in 1998. From 1993, he continued his career in various Planning and Control teams. In 2000, Mr. Vivaldi became responsible for Planning and Control for the New Europe Division (today's Central and Eastern Europe - CEE). In 2003, he became the Chief Financial Officer (CFO) of Koçbank/Koç Financial Services. In 2007, he became a Member of the Management Board and CFO of UniCredit Bank Austria (covering Austria and the CEE countries of UniCredit). He also became a Member of several Supervisory Boards in CEE subsidiaries. In 2011, Vivaldi was appointed as the Executive Director and Deputy CEO of Yapı Kredi. In 2015, he was appointed as the Head of CEE Division of UniCredit. Till 2019 he served as Vice Chairman of Yapı Kredi and

Koç Financial Services, and also as Supervisory Board Member in UniCredit Russia and UniCredit Foundation, Board Member in UBIS (UniCredit Business Integrated Solutions) and Member in UniCredit Executive Management Committee. In 2019, Carlo Vivaldi started serve as Co-Chief Operating Officer at UniCredit, maintaining the positions of member of the board of directors in both UniCredit Foundation and UniCredit Services and Member of the UniCredit Executive Management Committee. Since 1 July 2019, Vivaldi continues his positions Yapı Kredi and Koç Financial Services as Board Member.

Senior Management

The current members of the Bank's senior management and their areas of responsibility are as follows:

Name	Position	Responsibility
Gökhan Erün	BOD Member/CEO	General Manager
Marco Iannaccone	BOD Member/COO	Chief Operating Officer
Massimo Francese	Assistant General Manager	Financial Planning and Administration Management (Chief Financial Officer)
Albert Angersbach	Assistant General Manager	Risk Management Chief Risk Officer
Akif Cahit Erdogan	Assistant General Manager	Information Technologies and Operation Management
Yakup Dogan	Assistant General Manager	Alternative Distribution Channels
Erhan Adalı	Assistant General Manager	Corporate and Commercial Banking Management
Demir Karaaslan	Assistant General Manager	Retail Credits
Arif İsfendiyaroğlu	Assistant General Manager	Retail Banking Sales Management
Mehmet Erkan Özdemir	Assistant General Manager	Compliance and Internal Control/Consumer Relations Coordination Officer
Giovanni Battista Avanzi	Assistant General Manager	Internal Audit/Chief Audit Executive
Hakan Alp	Assistant General Manager	Human Resources and Organization Management
Cemal Aybars Sanal	Assistant General Manager	Legal Activities Management
Serkan Ülgen	Assistant General Manager	Retail Banking Management
Nurgün Eyüboğlu	Assistant General Manager	Corporate and Commercial Credit Management
Cengiz Arslan	Chief Information Officer	Information Technologies
Saruhan Yücel	Assistant General Manager	Treasury

Set forth below is brief biographical information regarding Yapı Kredi's current senior management (other than those who are members of the Board, whose biographical information is set out above):

Mr. Massimo Francese

Mr. Francese, 53, graduated from Università Cattolica del Sacro Cuore, Economics & Commerce Department in Milan, Italy. He joined Credito Italiano in 1991 as Customer Relationship Manager and then moved to different positions in organisation, audit, planning and control functions. In 2005, he became the Head of Group Planning at UniCredit S.p.A. Mr. Francese continued his career at UniCredit Family Financing Bank S.p.A between 2007 and 2010 as Chief Financial Officer. In November 2010, he moved to UniCredit S.p.a. as the Head of Value Management & Planning for the bank's consumer finance business. In 2012, Mr. Francese assumed the position of CEO and the Chairman of the Management Board in UniCredit Consumer Financing EAD in Sofia (Bulgaria), where he worked until the end of February 2016. As of 1 March 2016, he has been appointed Chief Financial Officer and a member of the Executive Committee at Yapı Kredi.

Mr. Albert Angersbach

Mr. Albert Angersbach, 40, graduated from Ryerson University and University of Frankfurt am Main as a double major in 2006. In 2005 he began his professional career at HypoVereinsbank AG as a trainee in the Corporate Credit Risk Management division. Between 2006 and 2007 he served as a Senior Corporate Credit Analyst in Unicredit and in 2007 he started to work as Corporate Credit Risk Management Assistant Vice President in Deutsche Bank. From 2010 until 2012, Mr. Angersbach worked as Credit Underwriting Vice President and from 2012 until 2013 he worked ad Chief Risk Officer in ATF Bank. In 2014 he became the Corporate Credit Operations Assistant General Manager in Unicredit and worked as Chief Risk Officer in Zagrebacka Bank, UniCredit between 2016 and 2018.

Mr. Angersbach has been working as CRO and as a member of the Executive Committee at Yapı Kredi since August 2018. Mr. Angersbach is also a member of the Board of Directors of certain domestic and foreign subsidiaries of Yapı Kredi.

Mr. Akif Cahit Erdogan

Mr. Erdogan, 46, graduated from the Faculty of Mechanical Engineering at Istanbul Technical University. Mr. Erdogan earned his MBA degree from the Rochester Institute of Technology. Starting his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst, Mr. Erdogan moved to Accenture (Istanbul Office) in 2000 as a Management Consultant, where he went on to hold various positions. Mr. Erdogan joined the Bank on 1 December 2009 as Chief Information Officer. As of 15 July 2013, he assumed the position of Assistant General Manager in charge of Information Technologies and Operations at the Bank. Mr. Erdoğan has been a member of the Executive Committee of Yapı Kredi Bank since July 2013 and also a chairman of the Executive Committee of Yapı Kredi Teknoloji A.Ş. since May 2015.

Mr. Yakup Dogan

Mr. Dogan, 51, received a degree in Business Administration from the Çukurova University. Mr. Doğan started his career at İş Bankası as an Assistant Specialist in 1992. Between 1996 and 2001, he worked at Ottoman Bank in Senior Management positions responsible for the development of Retail Banking, Credit Cards and Alternative Delivery Channels. In 2001, Mr. Doğan joined Koçbank as Alternative Delivery Channels Manager. In 2006, Mr. Doğan held the position of Alternative Delivery Channels Executive Vice President in Yapı Kredi. As of January 30, 2009 he assumed the position of Assistant General Manager in charge of ADCs at the Bank.

Mr. Erhan Adalı

Mr. Adalı, 52, graduated from the Faculty of Political Sciences, Public Administration at Istanbul University in 1987. Erhan Adali began his professional career at Garanti Bankasi as an Internal Auditor. After serving in various positions, Mr. Adali worked as the Corporate Branch Manager, Commercial Banking Regional Manager and Coordinator in SME Banking Marketing between 1997 and 2005. Mr. Adali worked as the CEO of Garanti Pension and Life Company from 2005 to 2012 and continued to serve as Executive Vice President of Credits at Garanti Bank until 2015. He served as a member of Board of Garanti Leasing and Garanti Mortgage in 2015-2017. Mr. Adali has been Assistant General Manager in charge of Corporate and Commercial Banking and a Member of the Executive Committee since March 2018. Mr. Adali is also a Member of the Board of Directors of Yapı Kredi Factoring, Yapı Kredi Leasing, Yapı Kredi Bank Azerbaijan and Yapı Kredi Bank Malta.

Mr. Demir Karaaslan

Mr. Karaaslan, 41, graduated from Marmara University, Business Administration department in 1999. Between September 1999 and December 2004, he worked at PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (formerly Başaran Nas Bağimsiz Denetim ve S.M.M.M. A.Ş.)where he joined as an Assistant Auditor and was promoted to Audit Manager. He continued his career at Koçbank between 2005 and 2006 as Head of Budget & Planning. In 2006, following the merger of Koçbank and Yapı Kredi Bank, he was appointed as Vice President responsible from Planning & Control. He has been the Head of Planning & Control since 2010 and promoted as Executive Vice President in 2011. Starting from January 2016, he was appointed as Assistant General Manager responsible from Retail Credits. Throughout his career, Mr.

Karaaslan has also assumed the positions of Statutory Auditor and member of the Board in several subsidiaries of Yapı Kredi Bank.

Mr. Arif İsfendiyaroğlu

Arif İsfendiyaroğlu has a bachelor's degree in Textile Engineering from Istanbul Technical University, and an MBA from Manchester Business School and Bilgi University. Mr. Arif İsfendiyaroğlu has started his professional career in 1990 at Garanti Bank as a Securities Officer, and held various positions at the same bank until 2004. In 2004, he was transferred to Denizbank as Executive Vice President for Retail Banking. In 2006, he was appointed as Executive Vice President in charge of Retail Banking in the same bank. From 2009 to 2015, he was the Executive Vice President of Garanti Payment Systems. Lastly, he was the Executive Vice President of Retail Banking and Payment Systems at Akbank. Mr. Arif İsfendiyaroğlu has been working as Assistant General Manager in charge of Retail Banking Sales in Yapı Kredi Bank A.S since December 2018.

Mr. Mehmet Erkan Özdemir

Mr. Özdemir, 51, received a degree in Economics from the Middle East Technical University. He worked as a Sworn in Bank Auditor on the Sworn in Bank Auditor Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Group in August 2002 where he worked as Audit Coordinator in the Audit Group responsible for the financial companies of the Group. Since April 2008, Mr. Özdemir has been serving as Compliance Officer and Executive Vice President at the Bank. Mr. Özdemir has been serving as Assistant General Manager in charge of Compliance and Internal Control since October 2013 and a member of the Executive Committee at Yapı Kredi Teknoloji A.Ş. since May 2015.

Mr. Giovanni Battista Avanzi

Mr. Avanzi, 51, graduated from Cattolica Sacro Cuore University, Management and Business Administration. He began his career in 1995 as a Senior Manager at Arthur Andersen. Subsequently, he joined Unicredit S.p.A., where he served as Senior Auditor from 2003 to 2006, as Head of Audit Monitoring Team on CIB & PB SBA and on the Asset Management Division from 2006 to 2009, as Head of the Audit Methodologies Unit from 2009 to 2010, Head of Global Methodologies Development Unit from 2010 to 2011, Head of Audit Methodologies and Processes Department from 2011 to 2013. He served as Head of Internal Audit (120 FTE) of Bank Pekao Group from 2014 to 2017. Mr. Avanzi has been serving as Assistant General Manager responsible for Internal Audit at the Bank, since January 2017.

Mr. Hakan Alp

Mr. Hakan Alp, 50, graduated from Ankara University, Faculty of Political Sciences, Department of International Relations. He started his professional career in 1991 in the Audit Department of Garanti Bank and then served as Training Manager at the same bank between 1997 and 1999. He worked for Humanitas Doğuş Human Resources Management as Assistant General Manager in charge of Training, Executive Development, Finance and Administration and Operations between 2000 and 2003. Between 2003 and 2005, he worked as Human Resources Management Assistant General Manager for Tansaş Retail Chain and in 2006 became Human Resources Management Assistant General Manager at Sutas. He started working as Human Resources Executive Vice President at QNB Finansbank in 2007 and was assigned as Human Resources Assistant General Manager in 2010, where he worked until 2018. As of September 2018, Mr. Alp serves as Assistant General Manager in charge of Human Resources and Organization for the Bank.

Mr. Cemal Aybars Sanal

Mr. Sanal, 59, graduated from Istanbul University, Faculty of Law. He began his career in 1986 with the law firm of Sanal & Sanal as a Partner. Subsequently, he served at the Shell Company of Turkey Limited as an attorney from 1992 to 1995, at White & Case LLP as an attorney from 1995 to 1998, at the Shell Company of Turkey Limited once again as Chief Legal Counsel and a member of the Board of Directors from 1998 to 1999 and at Boyner Holding A.Ş. as Chief Legal Counsel and Vice President between 1999 and 2006. After working as a freelance attorney between 2006 and 2007, Mr. Sanal worked with the ELIG Law Firm as a Consultant from 2007 to 2008. He has been working as Assistant General Manager responsible for Legal Affairs at the Bank, since July 2008.

Mr. Serkan Ülgen

Serkan Ülgen, 42, graduated from Bilkent University, Ankara B.S. Industrial Engineering Program in 1998. After graduating, he began his career at BENKAR Consumer Financing and Credit Card Services. In 2001 Ülgen joined Yapı Kredi and took several responsibilities in Card Payment Systems. He also gained his MBA degree from Bogaziçi University in 2005.

Mr. Ülgen is serving as Retail Banking Assistant General Manager and he has been a member of Executive Committee of Yapı Kredi since January 2018.

He has also been the Member of the Board of Interbank Card Center (BKM) representing Yapı Kredi since January 2011 and Chairman of the Board of BKM since March 2016.

Ms. Nurgün Eyüboğlu

Ms. Eyüboğlu, 51, graduated from Boğaziçi University, Business Administration in 1991. She began her career at Iktisat Bankası as Management Trainee. She joined Koçbank in 1993 as Relationship Manager and worked as Branch Manager from 1995 to 2004. Between 2004 and 2009 she held the position of Head of Corporate Banking and Multinational Companies at Yapı Kredi Bank. She was appointed as General Manager of Yapı Kredi Leasing in February 2009. Ms. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits at Yapı Kredi since February 2013.

Mr. Cengiz Arslan

Mr. Arslan, 51, graduated from Istanbul Technical University in 1989, Department of Control and Computer Engineering. He started his career in October 1992 at Yapı Kredi Technology (BILPA), where he worked as a System Software Specialist and Project Leader, until November 1995. Between 1995 and 2000, Mr. Arslan worked as Supervisor in SYNERGY Ltd., and in 2000 he worked at Garanti Technology Inc., where he started to work in the Department of Image and Workflow as a Supervisor. He then assumed the role of Unit Manager in the Payment Systems and Automotive Companies Department. In 2012, Mr. Arslan worked as Executive Vice President of Software at Doğuş Technology. Mr. Arslan joined the Bank on 17 December 2012 as BL Info Doc. Management and Workflow Software Development Vice President. As of 15 July 2013, he assumed the position of Chief Information Officer.

Mr. Saruhan Yücel

Mr. Yücel earned his undergraduate degree from Istanbul University Department of Business Administration and his graduate degree from University of Illinois in Business Administration. Yücel started his career at Koçbank in fund Management Department in 2000. Mr. Yücel held the role as Securities Portfolio Manager in Yapı Kredi's Portfolio in Investment Funds Management Fixed Income department between 2002 and 2003. Following this, he worked as FX and Money Markets Senior Dealer, FX Markets Vice President, Fixed Income Securities Vice President and Balance Sheet Management, and Fixed Income Securities Executive Vice President in Yapı Kredi Bank between 2003 and 2018. Since June 2018, he continued his career as Treasury Management Assistant General Manager. He is also Member of the Executive Committee at Yapı Kredi Bank.

The business address of Mr. Yakup Dogan, Mr. Akif Cahit Erdogan and Mr. Cengiz Arslan is Yapı ve Kredi Bankası A.Ş., Genel Mudurluk/Bankacilik Ussu, Akse Mahallesi, Rahmi Dibek Caddesi No: 275 41435 Çayirova, Kocaeli, Turkey which is the operation centre of the Bank. The other members of the senior management have their business address at Yapı ve Kredi Bankası A.Ş., Yapı Kredi Plaza D Blok, 34330 Istanbul, Turkey.

Board Committees

Yapı Kredi has a number of committees comprising various members of the Board. These committees consider risk and credit matters and include the Asset and Liability Management function of the Executive Committee and the Credit Committee, which are described in detail in "*Risk Management*", as well as the Audit Committee, the Corporate Governance Committee and the Remuneration Committee. The Audit Committee supervises compliance by the Bank with local laws and internal regulations, monitors the performance of the Internal Audit Department, Compliance and Internal Control Department and Risk Management Department, controls ethical compliance and executes other functions provided for by the Banking Legislation and CMB Legislation for Audit Committees. The Audit Department, Risk Management and Compliance and Internal Control report to the Audit Committee.

Corporate Governance

Until recently, there were no mandatory corporate governance rules in Turkey. In 2003, the CMB issued a set of recommended principles for public companies, which applied to public companies on a "comply or explain" basis. In 2004, the Board decided to adopt these principles. On 30 December 2011, the *Communiqué on the Determination and Implementation of Corporate Governance Principles* Series: IV, No: 56 (the "**Annulled Corporate Governance Communiqué**") was published and came into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, including the Bank. The Annulled Corporate Governance Communiqué became applicable to the Bank on 30 December 2012, as the regulation provided a one-year exemption for listed banks. Following the entrance into force of the New Capital Markets Law No. 6362, by 30 December 2012, the CMB started to prepare secondary legislation in light of the new law. Accordingly, a new communiqué on corporate governance – *the Corporate Governance Communiqué Series:II No:17.1* (the "**Corporate Governance Communiqué**") was published in the Official Gazette as of 3 January 2014 which annulled the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56. The Corporate Governance Communiqué contains principles relating to: (i) the company shareholders; (ii) public disclosure and transparency; (iii) the stakeholders of the company; and (iv) the board of directors. A number of principles are compulsory while the remaining principles continue to apply on a "comply or explain" basis as before. 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 CMB has classified 36 companies for the year 2018 as "Tier 1" companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to "Tier 2" and/or "Tier 3" companies. The Bank is classified as a "Tier 1" company. According to the Information Policy of the Bank, the public disclosures and all other relevant information given to shareholders are done under the supervision of the compliance office.

- The compliance office manages the official public disclosures via www.kap.org.tr
- Public disclosure is managed daily so as to assure timely communication.

The mandatory principles under the Corporate Governance Communiqué include: (i) the composition of the board of directors; (ii) appointment of independent board members; (iii) board committees; (iv) 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 (v) the information rights in connection with General Assembly meetings.

All "Tier 1" and "Tier 2" companies are required to have a number of independent board members that constitute at least one-third of the board of directors. However, these companies can apply to the CMB in order to limit the number of independent board members to two, irrespective of the ratio of the company's free-float shares, as long as at least 51% of their share capital is equally owned by two independent shareholders contractually sharing equal management control but having no direct or indirect shareholding, management or audit relationship among themselves, except for banks. "Tier 3" companies do not have to comply with the one-third ratio, although they are obliged to have at least two independent directors. Pursuant to Article 6 of Corporate Governance Communiqué, banks have discretion in determining the number of independent directors, *provided that* they sustain the minimum requirement of having at least three independent directors. Board members who are appointed as an audit committee member within the bank's organisational structure shall be considered as an independent board member within the framework of 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 "Tier 1" companies. Those nominated for such positions must be evaluated by the "**Nomination Committee**" 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 on 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. "Tier 2" and "Tier 3" public companies are not required to go through the CMB pre-assessment for the appointment of independent directors, although the nominations must still be evaluated by the Nomination Committee.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all related-party transactions, transactions creating any guarantee, pledge or mortgage in favour of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. For example, material transactions, which are described as the lease, transfer or establishment of rights *in rem* over the total or a substantial part of the listed company's assets, the acquisition or lease of a material asset, must be approved by the majority of the independent board members. If the majority of the independent directors do not vote in favour of such board resolutions, the relevant transaction will be subject to the approval of the shareholders, which will convene without required meeting quorums and where the related parties to those transactions will not be able to vote. The foregoing framework also applies to all related-party transactions as well as transactions creating any guarantee, pledge or mortgage in favour of third parties.

In 2007, the CMB had issued a rating communiqué enabling rating agencies to rate companies on the basis of their compliance with the applicable principles. In 2008, following a corporate governance rating report issued by SAHA Corporate Governance and Credit Rating Services Inc., the Bank was included among the leading companies that form the Borsa Istanbul Corporate Governance Index. The report provided the Bank with a corporate governance rating of 8.02 out of 10. In 2017, following a repeated review by SAHA Corporate Governance and Credit Rating Services Inc., the Bank's corporate governance rating was upgraded to 9.43.

Compensation

The Bank's compensation policy aims to remunerate fairly and in a manner that is consistent with the nature of work and structure of the general market or the sector, in order to enhance talent and key staff attraction/retention capability and people motivation. The compensation package is composed of base pay and variable pay. The variable pay is linked to the realisation of the Bank's strategic targets.

In general, base pay depends upon the position and the work completed whilst variable pay depends on performance. Thus, the compensation system allows the bank to reward employees according to their level of contribution and responsibility in order to reach the goals of the institution.

Salaries and other benefits paid to the Group's senior management amounted to TL 1,443,446 thousand as of 30 September 2019, TL 66,780 thousand as of 31 December 2018, TL 77,215 thousand as of 31 December 2017 and TL 56,454 thousand as of 31 December 2016.

UniCredit Relationship

As a result of the Group's relationship with the UniCredit Group, the Group receives assistance from the UniCredit Group in identifying candidates to fill management roles within the Group. Furthermore, the Group's management may also be appointed to other roles within the UniCredit Group. For example, in June 2010, the Bank's former Chief Risk Officer was appointed to a more senior position at an entity within the UniCredit Group. The Board resolved on 30 July 2010 to apply to the BRSA in order to appoint Wolfgang Schilk, a senior executive from the UniCredit Group, as Chief Risk Officer. This appointment was confirmed as of October 2010. As of 1 August 2019, the Bank appointed Albert Angersbach, an executive from UniCredit Group, as Chief Risk Officer.

On 30 November 2019, Unicredit and the Koç Group announced an agreement to change the Bank's ownership structure. The relationship between UniCredit and the Bank is subject to change as the result of announced changes to UniCredit's stake in the Bank. See *"Recent Developments"*.

Conflicts

None of the members of the Bank's Board or Senior Management has any existing or potential conflicts of interest with respect to his duties to the Bank and his private interests or other duties.

SHARE CAPITAL AND OWNERSHIP

Share Capital

As of the date of this Base Prospectus, the Bank's share capital consisted of 8,447,051 thousand authorised shares with a nominal value of TL 0.01 each. The Bank's shares are listed on the Borsa Istanbul and its global depositary receipts are listed on the London Stock Exchange.

The Bank's issued and fully paid up share capital was held as of the dates specified as follows:

	As of 30 September 2019		As of 31 December 2018		As of 31 December 2017		As of 31 December 2016	
	Ownership	Capital	Ownership	Capital	Ownership	Capital	Ownership	Capital
	(%)	*(TL, thousands)*	*(%)*	*(TL, thousands)*	*(%)*	*(TL, thousands)*	*(%)*	*(TL, thousands)*
Shareholders								
Koç Financial Services A.S	81.9	6,918,131	81.9	6,918,131	81.8	3,555,712	81.8	3,555,712
Others shareholders (minorities)	18.1	1,528,920	18.1	1,528,920	18.2	791,339	18.2	791,339
Historical share capital	100	8,447,051	100	8,447,051	100	4,347,051	100	4,347,051
Adjustment to share capital	—	(60,471)	—	(60,471)	—	(60,471)	—	(60,471)
Share premium	—	556,937	—	556,937	—	543,881	—	543,881
Total share capital and share premium	—	**8,943,517**	—	**8,943,517**	—	**4,830,461**	—	**4,830,461**

On 18 January 2012, the Board decided to increase the registered capital ceiling from TL 5 billion, the maximum level that the Board is authorised to increase the share capital absent a resolution of the General Assembly, to TL 10 billion. Such increase of the registered capital ceiling was approved by the CMB and the BRSA in February 2012 and was finalised upon the approval of the shareholders during the General Assembly meeting dated 22 March 2012.

On 30 November 2019, Unicredit and the Koç Group announced a transaction that would impact the Group's share capital and ownership. See *"Recent Developments"*.

Ownership

As of the date of this Base Prospectus, the Bank's controlling shareholder was KFS with an 81.9% stake and the remaining 18.1% of the Bank's shares were publicly traded and held by minority shareholders. The direct or indirect acquisition of shares, which represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder to increase above or fall below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA. In addition, irrespective of these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorisation of the BRSA.

On 30 September 2016, UniCredit Bank Austria AG transferred its 50% shareholding in KFS to UniCredit S.p.A. (which wholly owns UniCredit Bank Austria AG). Following the transfer, UniCredit S.p.A. directly owns 50% of KFS's shares. On 30 November 2019, Unicredit and the Koç Group announced a transaction that would impact the Group's share capital and ownership. See "*Recent Developments*".

Controlling Shareholders

Koç Financial Services

KFS is a financial holding company and an equal share (50%/50%) joint venture between the Koç Group and UniCredit. In connection with the establishment of the joint venture, UniCredit and the Koç Group entered into a shareholders' agreement to govern various aspects of the management of KFS and the Bank (the "**Shareholders' Agreement**"). The Shareholders' Agreement includes an agreement between the parties to ensure that both are represented equally on the board of directors of KFS and the Bank and their various committees and among the senior management and sets out terms under which the shareholders may dispose of their relevant stake in KFS. In addition, the parties agree not to compete with the Bank in the Turkish banking market.

Koç Holding A.S.

Koç Holding is one of Turkey's largest conglomerates in terms of turnover and exports, with operations in the energy, automotive, consumer durables and finance sectors. Koç Holding derives its strength from a large distribution network and after sales services, a wide customer base in different business segments together with strong customer relationship management capabilities enabling efficient upward and cross selling, leading brands and strong recognition and optimum portfolio diversification. In the year ended 31 December 2017, Koç Holding had total sales that corresponded to 7.2% of Turkey's GDP and exports that comprised 10% of Turkey's total exports. In the year ended 31 December 2018, Koç Holding had total sales that corresponded to 10% of Turkey's GDP and exports that comprised 8% of Turkey's total exports. In the first six months of 2019, Koç Holding generated U.S.$27.82 billion in total revenues.

UniCredit and the UniCredit Group

UniCredit is a bank incorporated as a joint-stock company under Italian law, with registered office at Via A. Specchi, 16, 00186, Rome, Italy, and with head office and principal centre of business at Piazza Cordusio, 20123, Milan, Italy.

UniCredit is the parent holding company of the Gruppo UniCredit registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Italian Banking Act under number 02008.1 (the "**UniCredit Group**").

The UniCredit Group, with roots dating back to 1473, is a systemically important European financial institution based in Italy. The Group operates through leading banks in 14 countries and its network in another 18 countries.

UniCredit Bank AG, as one of the Arrangers and the Issuer are affiliates of UniCredit S.p.A, the parent company of the UniCredit Group. Further information about this relationship is set out in "*Related Party Transactions*".

UniCredit Relationship

As a result of the Group's relationship with the UniCredit Group, the Group receives assistance from the UniCredit Group in identifying candidates to fill management roles within the Group. Furthermore, the Group's management may also be appointed to other roles within the UniCredit Group. For example, in June 2010, the Bank's former Chief Risk Officer was appointed to a more senior position at an entity within the UniCredit Group. The Board resolved on 30 July 2010 to apply to the BRSA in order to appoint Wolfgang Schilk, a senior executive from the UniCredit Group, as Chief Risk Officer. This appointment was confirmed as of October 2010. As of 1 August 2018, the Bank appointed Albert Angersbach, an executive from UniCredit Group, as Chief Risk Officer.

On 30 November 2019, Unicredit and the Koç Group announced an agreement to change the Bank's ownership structure. The relationship between UniCredit and the Bank is subject to change as the result of announced changes to UniCredit's stake in the Bank. See *"Recent Developments".*

RELATED PARTY TRANSACTIONS

Related parties include entities that are directors, shareholders or affiliates of, or entities under common management or control with, the Bank. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Koç Group and the UniCredit Group, owning 50% of the ordinary shares each of KFS and as a result, both the UniCredit Group and Koç Group are considered related parties of the Group. See "*Recent Developments*" for announced changes to the ownership structure of the Group.

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.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of 30 September 2019, the Bank's total net exposure to its risk group totalled TL 5,846,673 thousand, an amount corresponding to 10.5% of its own funds; the Bank is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following tables show the loans of the Group's risk group as of the dates indicated:

	As of 30 September 2019					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group[(1)(2)]	**Cash**	**Non cash**	**Cash**	**Non cash**	**Cash**	**Non cash**
			(TL, thousands)			
Loans and other receivables						
Balance at the beginning of the period	8,537	73,717	585,510	1,351,956	3,823,152	4,218,277
Balance at the end of the period	202,141	12,379	779,889	1,122,175	3,409,352	2,443,151
Interest and commission income received	**2,553**	**174**	**27,139**	**6,042**	**366,083**	**20,183**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as marketable securities.

	As of 31 December 2018[(3)]					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group[(1)(2)]	**Cash**	**Non cash**	**Cash**	**Non cash**	**Cash**	**Non cash**
			(TL, thousands)			
Loans and other receivables						
Balance at the beginning of the period	8,523	10,130	413,696	1,358,830	2,582,313	3,078,551
Balance at the end of the period	8,537	73,717	585,510	1,351,956	3,823,152	4,218,277
Interest and commission income received	**1,033**	**107**	**19,219**	**5,861**	**322,795**	**15,967**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as marketable securities.
(3) 'Interest and commission income received' is presented as of 30 September 2018.

Group's risk group(1)(2)	As of 31 December 2017					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non cash	Cash	Non cash	Cash	Non cash
	(TL, thousands)					
Loans and other receivables						
Balance at the beginning of the period	21,974	8,492	519,444	1,158,561	2,394,592	2,586,737
Balance at the end of the period	8,523	10,130	413,696	1,358,830	2,582,313	3,078,551
Interest and commission income received	**1,831**	**119**	**9,516**	**7,893**	**320,083**	**12,547**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as marketable securities.

Group's risk group(1)(2)	As of 31 December 2016					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non cash	Cash	Non cash	Cash	Non cash
	(TL, thousands)					
Loans and other receivables						
Balance at the beginning of the period	33,816	10,388	106,881	954,585	1,688,868	2,440,007
Balance at the end of the period	21,974	8,492	519,444	1,158,561	2,394,592	2,586,737
Interest and commission income received	**870**	**119**	**4,981**	**7,546**	**245,453**	**10,501**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as marketable securities.

The following table shows the deposits of the Group's risk group for the periods indicated:

Group's risk group(1)(2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	For the nine months ended 30 September 2019	For the year ended 31 December 2018(3)	For the nine months ended 30 September 2019	For the year ended 31 December 2018(3)	For the nine months ended 30 September 2019	For the year ended 31 December 2018(3)
	(TL, thousands)					
Beginning of the period	32,007	27,440	39,787,874	29,100,563	22,326,048	18,301,565
End of the period	105,662	32,007	31,915,468	39,787,874	21,801,752	22,326,048
Interest expense on deposits	**5,474**	**3,097**	**2,073,249**	**1,658,457**	**1,071,296**	**720,301**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes borrowings, marketable securities issued and repo transactions, as well as deposits.
(3) 'Interest expense on deposits' is presented for the nine months ended 30 September 2018.

The following table shows the deposits of the Group's risk group for the periods indicated:

Group's risk group(1)(2)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
			(TL, thousands)			
Beginning of the period	27,440	232,820	29,100,563	24,423,963	18,301,565	14,406,822
End of the period	32,007	27,440	39,787,874	33,489,119	22,326,048	18,301,565
Interest expense on deposits	**4,714**	**5,564**	**2,447,124**	**1,458,814**	**1,176,337**	**779,396**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes borrowings, marketable securities issued and repo transactions, as well as deposits.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group(1)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	For the ninemonths ended 30 September 2019	For the year ended 31 December 2018(4)	For the nine months ended 30 September 2019	For the year ended 31 December 2018(4)	For the nine months ended 30 September 2019	For the year ended 31 December 2018(4)
			(TL, thousands)			
Transactions at fair value through profit or loss(2)						
Beginning of the period(3)	—	—	3,330,535	4,585,782	983,564	4,263,455
End of the period(3)	—	—	2,514,094	3,330,535	8,023,206	983,564
Total profit/loss	**—**	**471**	**(451)**	**272,125**	**84,320**	**(650,543)**
Transactions for hedging purposes(2)						
Beginning of the period(3)	—	—	1,456,586	1,375,186	—	—
End of the period(3)	—	—	1,377,758	1,456,586	—	—
Total profit/loss	**—**	**—**	**27,758**	**179,011**	**—**	**—**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The Bank's derivate instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivate financial instruments held for hedging" according to TAS 39.
(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivate financial instruments.
(4) 'Total profit/loss' is presented for the nine months ended 30 September 2018.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group(1)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
			(TL, thousands)			
Transactions at fair value through profit or loss(2)						
Beginning of the period(3)	—	—	4,585,782	8,532,884	4,263,455	1,104,683
End of the period(3)	—	—	3,330,535	4,585,782	983,564	4,263,455
Total profit/loss	**544**	**134**	**(473,269)**	**(16,232)**	**(592,874)**	**(48,039)**
Transactions for hedging purposes(2)					—	—
Beginning of the period(3)			1,375,186	—	—	—
End of the period(3)	—	—	1,456,586	1,375,186	—	—
Total profit/loss	—	—	**106,586**	**25,186**	—	—

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The Bank's derivate instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivate financial instruments held for hedging" according to TAS 39.
(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivate financial instruments.

In December 2013, the Bank repaid a EUR 350 million subordinated loan facility advanced by Goldman Sachs International and received a new subordinated loan facility from UniCredit Bank Austria AG in the amount of U.S.$470 million. The new facility has a ten-year maturity.

TURKISH BANKING SYSTEM

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

The data provided in this section has been derived from information of the Banks Association of Turkey. As of the date of this Base Prospectus, data as of 30 September 2018, 31 December 2018, 31 March 2019, 30 June 2019 and 30 September 2019 were available.

As at 30 September 2019, 46 banks were operating in Turkey (excluding a bank under the administration of the SDIF and six participation banks). Three of these banks were public sector commercial banks, nine were privately owned deposit banks, 21 were foreign banks (including branches of foreign banks), and 13 were domestic development and investment banks (four of which having foreign shareholding). There were also six participation banks in Turkey, which conducted their business under the relevant legislation in accordance with Islamic banking principles.

The former Banks Act was replaced by the Banking Law on 1 November 2005 and the secondary Turkish banking legislation has changed substantially between 2005 and 2017. The Banking Law permits commercial banks to engage in all fields of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds) and financial leasing activities.

The Turkish banking system has become increasingly competitive over the last decade. The expansion of the Turkish banking sector was initially fuelled by economic growth and the liberalisation of the economy and went through a rapid and significant consolidation as many banks with weaker financial standing were taken over by the SDIF and removed from the sector. The Government has also contributed to structural improvements in the banking system through various regulatory arrangements, including standardised accounting practices, external auditing, higher capital adequacy standards, stricter treatment of non-performing credits and the proposed phasing out of deposit insurance. The objective of these regulatory changes has been to strengthen the banking sector and to increase the transparency and overall efficiency of the Turkish banking sector.

Following the financial crisis in 2001, the BRSA started to intervene actively in the banking sector. The BRSA is an autonomous and independent body and is the sole regulatory and supervisory authority for the Turkish banking system. The BRSA required privately-owned commercial banks that had the authority to accept deposits to undergo a three-tier audit process in 2001, which was strictly monitored by the BRSA. The three-tier audit process was then by far the most comprehensive audit completed on Turkish banks, comprising a full audit by two independent auditors as well as BRSA auditors. A detailed analysis of each bank's cash flows was undertaken, with a significant proportion of its credits being evaluated and an aggressive position taken on classifying credits as non-performing. The most conservative of the three audit reports was then delivered to the BRSA to enable it to evaluate each bank's financial position. This process was completed by mid-2002. Moreover, in line with the regulations of the former Banks Act, banks established risk management departments reporting directly to their respective boards of directors. Accordingly, since 2002 risks taken by Turkish banks in terms of market, credit and operations are required to be calculated and monitored by these risk management departments.

The following table sets out certain statistical information for the Turkish banking sector as of 30 September 2019 under bank-only BRSA reporting standards. Branch and employee numbers are as at 30 September 2019, taken from The Banks Association of Turkey:

	Public sector banks	Privately owned banks	Foreign banks	Development and investment banks	Total
			(TL, millions)		
Total assets	1,448,573	1,330,900	939,123	289,206	4,011,221
Total loans, net	1,110,665	841,763	606,851	227,918	2,789,840
Total deposits	917,185	805,908	575,863	—	2,299,166
Total equity	125,843	162,527	114,463	42,051	445,544
Net income	6,290	12,218	11,409	4,263	34,266
Number of branches	3,707	3,843	2,680	58	10,288
Number of employees	59,896	69,725	54,483	5,183	189,287
Number of banks	3	9	21	13	46

Source: The Banks Association of Turkey
Note: Banks controlled by the SDIF and participation banks are not included in these figures.

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, Ziraat Bank, Vakıfbank and Halkbank, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full service banks and corporate/trade finance oriented banks. The four largest private commercial banks are Türkiye İş Bankası, Türkiye Garanti Bankası, Akbank, and the Bank. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

Since 2005, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. For example, BNP Paribas acquired 50.0% of the shares of TEB Mali Yatırımlar A.Ş, which owns 84.3% of the shares of TEB A.Ş, in February 2005. In September 2005, Koç Finansal Hizmetler A.Ş, 50.0% of which is owned by UniCredito Italiano, acquired 57.4% of the Bank. In July 2005, Fortis Bank acquired 89.3% of Türk Dış Ticaret Bankası A.Ş. Also in July 2005, Rabobank agreed to purchase 51% of Şekerbank. In August 2005, General Electric Financial Services purchased 25.5% of Garanti Bankası. In September 2005, Bank Hapoalim BM acquired Bank Pozitif ve Kalkınma Bankası for U.S.$113.0 million. In May 2006, Tekfenbank was acquired by EFG Eurobank Ergasias S.A. for U.S.$182.0 million. In June 2006, TuranAlem Securities of Kazakhstan, a wholly owned subsidiary of BTA Bank, acquired 34.0% of Şekerbank's shares. NBG acquired from Fiba Holding and affiliates a 46.0% stake in the ordinary shares of Finansbank and 100% of the founder shares for a total consideration of U.S.$2.8 billion in August 2006. In January 2007, NBG acquired a further 43.4% of Finansbank's publicly held outstanding ordinary shares. Denizbank was acquired in October 2006 from Zorlu Group by Dexia for U.S.$2.4 billion. On January 2007, Citi Group acquired a 20% equity stake in Akbank. On July 2007, Turkishbank was acquired by National Bank of Kuwait for U.S.$160 million. ING acquired Oyakbank for U.S.$2.7 billion in 2007. On November 2010, General Electric Co. agreed to sell its 18.6% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for U.S.$3.8 billion, and Doğuş Holding A.Ş. agreed to sell its 6.3% stake in the bank for U.S.$2 billion. In December 2010, Credit Europe Bank N.V. acquired a 95% stake in Turkey based Millennium Bank A.Ş, a subsidiary of Banco Comercial Portugues SA (BCP), for a total adjusted price of EUR58.9 million and later amended its corporate title to Fibabanka A.Ş. In June 2010, Türk Ekonomi Bankası's main partners announced their agreement to merge with Fortis Bank under the auspices of Türk Ekonomi Bankası. The merger was completed in March 2011. On 28 September 2012, Dexia sold and transferred the totality of its shareholding in Denizbank, amounting to 99.85%, to Sberbank of Russia for a total price of U.S.$3.6 billion, as subject to certain closing adjustment mechanisms. On 26 December 2014, the BRSA approved the transfer of majority stake in Taib Yatırım Bankası to Azeri Pasha Bank OJSC, the trade name of the bank was changed into Pasha Yatırım Bankası A.Ş. following the transfer.

On 27 October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, namely Odea Bank A.Ş., and the operation permit for this new deposit bank was granted on 28 September 2012. This approval and operation permit granted by the BRSA is the first authorisation granted to establish a "deposit bank" since 1997.

Similarly, the BRSA granted to MUFG Bank Turkey A.Ş. (formerly Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.) an incorporation permit as of 22 December 2012 and an operation permit as of 19 September 2013. The BRSA also granted to Intesa Sanpaolo S.p.A. Central Branch an incorporation permit as of May 2013 and an operation permit as of 4 July 2014. Rabobank obtained its incorporation permit from the BRSA as of 3 August 2013 and an operating permit as of 9 September 2014.

On 6 December 2012, the majority stake in Eurobank Tekfen A.S. was transferred to Burgan Bank S.A.K. headquartered in Kuwait. The trade name of Eurobank Tekfen A.S. was changed to Burgan Bank A.S. as of 28 January 2013. On 1 July 2013, the majority stake in Alternatifbank was transferred from Anadolu Group to Commercial Bank of Qatar. Similarly GSD Holding entered into an agreement to transfer its majority stake held in Tekstilbank to Industrial and Commercial Bank of China in May 2014. The transfer was completed on 22 May 2015, leading the Industrial and Commercial Bank of China to acquire 75.5% issued shares in Tekstilbank from GSD Holding. In May 2015 and February 2016, the BRSA granted permission to Ziraat Katılım Bankası A.Ş. and Vakıf Katılım Bankası A.Ş., respectively, for each to start their operations as a participation bank. The acquisition of 99.84% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively, and on 15 June 2016, the acquisition was completed. In May 2016, the BRSA granted the Bank of China Limited an incorporation license to open a deposit-taking bank in Turkey. A private participation bank, namely Bank Asya, the management of which was taken over by the SDIF on 3 February 2015, lost its operating permit by the BRSA resolution dated 22 July 2016 and numbered 6947, and its liquidation proceedings were started in 2017. In March 2017, Doğuş Holding A.Ş. sold its further 9.95% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for EUR859 million, and consequently Banco Bilbao Vizcaya Argentaria S.A. increased its shareholding in Garanti Bank to 49.85%. In May 2018, Emirates NBD Bank PJSC (ENBD) entered into a definitive agreement to buy 99.85% of Denizbank from its parent Sberbank and on 27 June 2019, the BRSA granted its permission to the acquisition. On 26 February 2019, the BRSA granted permission to Türkiye Emlak Katılım Bankası A.Ş. for it to start its operations as a participation bank, whose shares are 99.99% owned by the Ministry of Treasury and Finance.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept deposits.

Public Sector Commercial Banks

As of the date of this Base Prospectus, there were three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives. The following table sets out the three state-owned commercial banks in Turkey, ranked by size of assets as at 30 September 2019 under bank-only BRSA reporting standards, and number of branches as at 30 September 2019:

	Specialisation	Total assets	Number of branches
		(TL, millions)	
Bank			
T.C. Ziraat Bankası	Agriculture	618,228	1,763
Türkiye Halk Bankası	Retail	443,499	998
Türkiye Vakıflar Bankası	General	386,845	946

Source: The Banks Association of Turkey.

According to the Banks Association of Turkey, total loans provided by these banks as of 30 September 2019 were TL 1,488,573 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost efficient funding sources.

Banks under the Control of the SDIF

Following financial crises in 2001 and 2002, 19 private commercial banks were taken under the control of the SDIF. These banks have either been liquidated or sold to other domestic and international banks. As at

30 June 2019, Birleşik Fon Bankası A.Ş., with total assets of TL 3.3 billion as at 31 March 2019 and Adabank A.S., with total assets of TL 57 million as at 31 March 2019, were under the supervision and administration of the SDIF. Birlesik Fon Bankası has been incorporated by the SDIF by merging the assets of Egebank A.Ş, Etibank A.Ş., İktisat Bankası T.A.Ş, Kentbank A.Ş and Toprakbank A.Ş. into Bayındırbank A.Ş and by converting the latter into Birleşik Fon Bankası A.Ş. On 3 February 2015, the SDIF took over management of Bank Asya, a private participation bank. The BRSA announced that this action was taken due to Bank Asya's violation of a provision of the Banking Law that requires banks to have a transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the banks by the BRSA. On 29 May 2015, the BRSA announced that shareholding rights (except dividends), management and audit of Bank Asya is to be transferred to the SDIF for partial or full transfer, sale or merger of the bank pursuant to Article 71 of the Banking Law; provided that the loss shall be deducted from the shares of the existing shareholders. In May 2016, the Chairman of the BRSA announced that the SDIF will sell Bank Asya. Pursuant to the BRSA's resolution dated 22 July 2016 and numbered 6947, the operating permit of Bank Asya was revoked. On 16 November 2017, the Istanbul First Commercial Court of First Instance ruled on the bankruptcy of Bank Asya.

A continued environment of decreasing inflation, declines in yields on trading in Government securities and a reduction in the coverage of the SDIF could contribute to a higher level of calls on SDIF insurance and further consolidation in the banking sector.

Private Sector Commercial Banks

Private sector commercial banks can be divided into large branch network commercial banks and small branch network commercial banks. The larger private sector banks emerged in the 1940s and their branch networks cover the entire country. Most private sector banks belong to large industrial groups, which provide additional support to the banks.

The following table ranks the larger branch network non-foreign commercial private sector banks by asset size as at 30 September 2019 under bank-only BRSA reporting standards, and number of branches as at 30 September 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Türkiye İş Bankası	Bank Pension Fund; RPP; Floated	434,745	1,281
Akbank	Sabanci Group; Floated	351,448	771
Yapı ve Kredi Bankası A.Ş.	Koç Holding; UniCredit; Floated	373,283	854
Türk Ekonomi Bankası	Çolakoğlu Group; BNP; Floated	102,451	495
Şekerbank	Employee Pension Funds BTA, Samruk Kazyna Kazakhstan National Welfare Fund	29,745	252

Source: The Banks Association of Turkey.

The liberalisation of Turkey's economy and foreign trade in the 1980s led to profitable opportunities for banks in the field of trade finance. Most of the smaller banks concentrate on wholesale banking with limited retail services.

The following table ranks small branch network non-foreign commercial private sector banks by assets and number of branches as at 30 September 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Anadolubank	Habaş Group	16,366	111
Fibabanka	Özyeğin Group	21,545	66
Turkish Bank	Özyol Group and National Bank of Kuwait	1,257	12

Source: The Banks Association of Turkey.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. Out of eight privately-owned commercial banks, apart from the four largest banks, there are four medium-sized commercial banks.

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at 30 September 2019 there were 21 foreign banks in total, 16 of which were locally incorporated banks and five of which were branches of foreign banks.

The table below presents certain information regarding foreign commercial banks in Turkey together with their asset size under bank-only BRSA reporting standards and number of branches as at 30 September 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Locally Incorporated Banks			
Alternatifbank	The Commercial Bank (QSC) and Anadolu Endüstri Holding A.Ş(1)	28,182	49
Arap Türk Bankası.............................	Libyan Central Bank, İş Bankası and Ziraat Bankası	4,600	7
Bank of China Turkey A.Ş..	Bank of China	1,742	1
Burgan Bank A.Ş.	Burgan Bank S.A.K.(2)	18,697	35
Citibank	Citi Group	12,498	3
Denizbank..	Sberbank of Russia(3)	148,280	709
Deutsche Bank...................................	Deutsche Bank AG, London Branch	3,779	1
HSBC Bank	HSBC	33,069	80
ING Bank...	ING	56,716	220
Odea Bank	Bank Audi sal-Audi Saradar Group	31,742	48
Rabobank...	Rabobank International	1,670	1
ICBC Turkey Bank A.Ş.	Industrial and Commercial Bank of China Limited(5)	17,168	41
MUFG Bank Turkey A.Ş.	MUFG Bank, Ltd.	13,590	1
QNB Finansbank	Qatar National Bank SAQ(4)	174,192	542
Turkland Bank	Arab Bank, BankMed and Arab Bank Switzerland	3,769	17
Türkiye Garanti Bankası.....................	BBVA; Floated(6)	374,335	918
Branches of Foreign Banks			
Habib Bank..	Pakistan	242	1
Bank Mellat	Iran	1009	3
JPMorgan Chase Bank.......................	United States	749	1
Société Générale	France	155	1
Intesa Sanpaolo..................................	Italy	12,941	1

(1) On 1 July 2013, Commercial Bank of Qatar, completed the purchase and transfer of 80% of the shares of Alternatifbank from Anadolu Group to Commercial Bank of Qatar.

(2) In April 2012, Burgan Bank S.A.K., one of Kuwait's leading banks announced that it had entered into an agreement with Eurobank EFG to acquire 99.26% stake in Eurobank Tekfen. Following the completion of the transaction the trade name of Eurobank Tekfen was changed into Burgan Bank.

(3) On 28 September 2012, Sberbank, Russia's largest bank, completed the purchase and transfer of 99.85% of the shares of Denizbank from Dexia Group for U.S.$3,504 million.

(4) The acquisition of 99.84% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively, and on 15 June 2016, the acquisition was completed.

(5) GSD Holding Tekstilbank entered into an agreement to transfer its majority stake held by GSD Holding in Tekstilbank to Commercial Bank of China in May 2014. The transfer was completed on 22 May 2015.

(6) In March 2017, Doğuş Holding A.Ş. sold its further 9.95% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A.for EUR859 million, and consequently Banco Bilbao Vizcaya Argentaria S.A. increased its shareholding in Garanti Bank to 49.85%.

Development and Investment Banks

There are three state owned, six privately owned and four foreign development and investment banks in Turkey. The following table presents these banks and their assets and number of branches as at 30 September 2019:

Bank	Total assets	Number of branches
	(TL, millions)	
State owned Development Banks:		
İller Bankası	35,087	19
Turk EximBank	157,546	16
Türkiye Kalkınma ve Yatırım Bankası	18,469	1
Privately Owned Development and Investment Banks:		
Türkiye Sınai Kalkınma Bankası	40,273	3
Nurol Yatırım Bankası	3,143	1
Diler Yatırım Bankası	175	1
GSD Yatırım Bankası	302	2
Aktif Yatırım Bankası	16,165	10
İstanbul Takas ve Saklama Bankası A.Ş.	14,878	1
Foreign Development and Investment Banks:		
BankPozitif Kredi ve Kalkınma Bankası	893	1
Standard Chartered Yatırım Bankası Türk A.S	103	1
Merrill Lynch Yatırım Bankası	567	1
Pasha Yatırım Bankası A.Ş.	1,605	1

(1) On 26 December 2014, the BRSA approved the transfer of majority stake in Taib Yatırım Bankası to Azeri Pasha Bank OJSC, the trade name of the bank was changed into Pasha Yatırım Bankası A.Ş. following the transfer

Source: The Banks Association of Turkey.

The banks in this category provide medium and long-term financings to large and medium sized companies on a project basis. The major funding sources of these banks are the Central Bank, international banks and institutions such as the World Bank, the EIB and various export credit agencies. These banks do not accept deposits and grant credits only on a project basis. They are also active in foreign exchange and securities transactions.

TURKISH REGULATORY ENVIRONMENT

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

The Banks Act No. 4389 established the BRSA, which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. Accordingly, the BRSA is authorised and obliged to take all steps to assure the effective functioning of the credit system in Turkey and to prevent all transactions and practices which could jeopardise the disciplined and safe functioning of the Turkish banking sector. The BRSA has administrative and financial autonomy. The Banking Law No. 5411, which abolished and replaced the former Banking Law No. 4389, came into force upon publication thereof in the Official Gazette dated 1 November 2005. The Banking Law was passed to increase confidence and stability in financial markets, ensure efficient operation of the credit system, and protect the rights and interest of deposit holders. The Banking Law includes provisions regarding capital adequacy, efficiency of control and audit to be carried out by the BRSA, creation of market discipline, and enforcing liability insurance requirements for third party service providers to banks, such as sworn auditors and credit rating agencies. Historically, its head office has been in Ankara. However, as of 13 February 2011 and pursuant to Law No. 6111, the head office was relocated to Istanbul.

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the Government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the Government on financial matters. The Central Bank is empowered to determine the inflation target together with the Government, and to adopt a monetary policy in compliance with such target.

The Central Bank exercises its powers independently and is responsible for its affairs within the bounds of the Government's defined policies.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported. Official certified bank auditors, who are responsible for the onsite examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyse the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 (the "**Internal Systems Regulation**"), banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department will 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 Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process," should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the "ICAAP Report") representing the bank's own assessment of its capital requirements. An ICAAP Report is required to be submitted annually to the BRSA, together with the stress test analysis, the internal audit report on the internal capital adequacy assessment process and the model validation report by the end of March of the following year. The board of directors of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

The Turkish Banking Association acts as a limited organisation of supervision and coordination. All banks in Turkey are obliged 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 regulatory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholding

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 these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to authorisation by 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.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies 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 cancel any applicable general assembly resolutions. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

- Credits extended in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, credits include cash credits and non-cash credits such as letters of guarantee, counter guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit.

- Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

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

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

- transactions against cash, cash-like assets and accounts and precious metals;
- transactions carried out with the Undersecretariat of Treasury, Central Bank, Privatisation Administration and the Mass Housing Administration, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;
- transactions carried out with the Central Bank and in legally organised money markets;
- in case of new credit allocations to the same person or to the same risk group (but excluding checks and credit cards), valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits;
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;
- interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities *provided that* such shares are disposed of in the time and manner determined by the BRSA;
- transactions considered as "deductibles" in the shareholders' equity account; and
- other transactions to be determined by the board of the BRSA (the "**BRSB**").

Loan Loss Reserves

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

On 22 June 2016, the BRSA has published the 2016 Provisioning Regulation which entered into force on 1 January 2018 in lieu of the Regulation on Provisions and Classification of Loans and Receiveables published in the Official Gazette dated 1 November 2006 and No. 26333. The 2016 Provisioning Regulation aims at ensuring compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme by the International Monetary Fund and the World Bank. The 2016 Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the TFRS 9 compliant financial reporting standards of Turkey ("**TFRS 9**") principles, (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. According to the 2016 Provisioning Regulation, the banks are still required to classify their loans and receivables in groups, but there are certain changes in the content of the groups compared to the Regulation on Provisions and Classification of Loans and Receivables. Please note that group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, banks are required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature and Other Receivables:*

This group involves each loan (which, for purposes of the 2016 Provisioning 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 security;

(iv) in respect of which no weakening of the creditworthiness of the applicable debtor has been found; and

(v) to which 12 months 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 and legal persons 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 in accordance with the conditions of the loan agreement, and where the failure to resolve such problems might result in risk of non-collection in full without recourse to any security;

(iv) where although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of a 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 its payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;

(vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;

(vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;

(viii) that has been subject to restructuring when monitored under Group I or Group II without being able to be classified 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 Collection Possibility:*

This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened;

(ii) that has limited possibility for the collection of the full amount without recourse to any security due to the insufficiency of net realizable value of the security or the debtor's equity to meet the repayment of the full amount on the due date, and that would likely result in losses in case such problems are not resolved;

(iii) collection of the principal and interest (or both) 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 a restructuring or have been subject to another restructuring within such one year of the previous restructuring.

(d) *Group IV: Loans with Doubtful Collection Possibility:*

This group involves each loan:

(i) principal and/or interest payments of which will probably not be collected in full under the terms of the loan agreement without recourse to any security;

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not yet considered as an actual loss by virtue of contribution expected from factors such as merger, the possibility of finding new financing or a capital increase to the debtor's creditworthiness and the collection possibility of the credit;

(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 its 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 its 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 Having the Nature of Loss:*

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 its payment due date.

Pursuant to the 2016 Provisioning Regulation, loans: (a) that are classified under Groups III, IV and V, (b) 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) to which, as a result of a debtor's default, the lifetime expected credit loss reserve applies under TFRS 9 are classified as NPLs. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in situations 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 limbs (a), (b) or (c) above. 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. If loans extended to a debtor are classified as an NPL, the creditworthiness of other debtors within the same risk group with that debtor should be evaluated at the date of classification as NPL of that debtor's loans. Accordingly, the loans extended to such other debtors should also be classified as an NPL if such loans fall within the scope of any of the circumstances stated in limbs (a), (b) or (c) above.

The 2016 Provisioning 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 as to whether such loans are to be reclassified under different groups, such 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 that pose a risk on such debtor's performance of its obligations, in macroeconomic circumstances, or in the sector in which the respective debtor operates, or solely related to the respective debtor regardless of the macroeconomic circumstances and the sector. 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 an NPL have been collected in full without recourse to any security, (b) as of the date of the reclassification, there has been no overdue repayment and the last two repayments preceding such date (except the repayments mentioned in limb (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 (i) that have been fully or partially excluded from the assets of the banks, (ii) security for which has been enforced to satisfy the debt or (iii) 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, to 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 for at least one year following a restructuring, (iii) as of the date of reclassification as a Group II loan, there has been no delay in principal and/or interest payments or any expectation of any such delay in the future, and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing restructured 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. On 15 August 2018, the BRSA published an amendment regulation to the 2016 Provisioning Regulation, introducing the possibility of a performing restructured loan being classified as a Group I loan, after being monitored as a restructured loan at least for three months and if the conditions (C) and (D), above, are met (without seeking the satisfaction of conditions (A) and (B), above). Further, the same amendment regulation has provided that changes to the loan terms for, or partial or full refinancing of, the companies, the loans of which are classified as Group I and that are not in distress, will not be classified as restructuring and may be monitored under Group I.

Pursuant to the 2016 Provisioning 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 2016 Provisioning 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 2016 Provisioning Regulation. In this respect, such banks shall 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 shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2016 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 to be considered in such calculation. As to special provisions, banks are required to comply with provision rules for NPLs under Groups III, IV and V at 20%, 50%, and 100%, respectively.

In respect of both general and special provisions, banks are required to consider country and transfer risks. In addition, the BRSA may increase such provision requirements on the basis of banks or loans, taking into account the concentration from time to time in matters such as loans' size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, security, and the credit risk level and management.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the 2016 Provisioning Regulation increased the number of categories on collaterals (from four to five), amended the content of such categories, and amended the proportions to be deducted, in order to determine the net realisable values of the collaterals, from the borrower's NPLs as follows:

Discount Ratio	**(%)**
Category I Collateral	100
Category II Collateral	80
Category III Collateral	60
Category IV Collateral	40
Category V Collateral	20

According to the amendments to the Equity Regulation (as defined below) and the 2016 Capital Adequacy Regulation that will become effective as of 1 January 2020, general provisions will, from that date, 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.

Capital Adequacy

Article 45 of the Banking Law defines capital adequacy as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks with a capital adequacy ratio less than 12% from opening new branches.

The BRSA is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the 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 entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision in December 2010 and revised in June 2011 into Turkish law, the BRSA announced its intention to adopt the Basel III requirements in September 2013 and enacted its new regulations, the Regulation on Equity as published in the Official Gazette dated 5 September 2013 and numbered 28756 (the "**Equity Regulation**"), and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (which was later replaced by the 2016 Capital Adequacy Regulation, effective as of 31 March 2016), both of which entered into effect on 1 January 2014. The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599) in accordance with the Basel Committee's RCAP, which is conducted by the Bank for BIS and reviews Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, include revisions to the Equity Regulation and the Capital Adequacy Regulation.

Under the Equity Regulation, subordinated loans are included under "additional Tier I capital" and "Tier II capital" subject to certain conditions; however, their amounts are required to be reduced by the amount of any cash credit extended to creditors holding 10% or more of such loans of a bank (or to any person within such creditor's risk group).

Pursuant to Article 44/3 of the Banking Law and Article 14 of the BRSA Regulation, the net worth of a bank (i.e., the bank's equity) consists of main capital and supplementary capital minus capital deductions. The Equity Regulation defines the capital of a bank as the sum of: (a) principal capital (i.e., Tier I capital), which is composed of core capital and additional principal capital (i.e., additional Tier I capital) and (b) supplementary capital (i.e., Tier II capital) minus capital deductions. The Equity Regulation was amended on 11 July 2017, to remove certain capital deduction items such as real estate and goods held by the banks in specific circumstances.

The BRSA published the Capital Adequacy Regulation, which entered into force on 31 March 2016 (the "**Capital Adequacy Regulation**") and replaced the former regulation, namely the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337. Pursuant to the Capital Adequacy Regulation: (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5% and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0%. The Capital Adequacy Regulation maintained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items.

Accordingly, pursuant to the Capital Adequacy Regulation, risk weights of certain assets are decreased such as:

i. the risk weights of residential mortgage loans from 50% to 35%,

ii. the risk weights of consumer loans (excluding residential mortgage loans and credit cards) qualifying as retail loans (*perakende alacaklar*) in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); provided that such receivables are not re-classified as non-performing loans (*donuk alacaklar*), and

iii. the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%.

While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% risk weighting for Turkey; however, the Turkish rules implementing the Basel principles in Turkey (i.e., the "**Turkish National Discretion**") revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. According to the Capital Adequacy Regulation, only Turkish Lira-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves will be increased from 0% to 50%. According to the guidance published by the BRSA on 24

February 2017, foreign exchange-required reserves held with the Central Bank will now also be subject to a 0% risk weight.

In addition, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, and entered into force on 1 January 2014 (with the exception of certain provisions of the latter regulation entered into effect on 1 January 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific counter-cyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. In this context, the BRSA further published: (a) its decision dated 18 December 2015 and numbered 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 and numbered 6602 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.

According to the Equity Regulation, which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments that are not to be included in Tier I capital and have been approved by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance approval with the CMB) are met also can be included in Tier II capital calculations. In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the Equity Regulation also provides a limit for inclusion of general provisions in Tier II capital. Pursuant to the Equity Regulation, the basis for the calculation of this limit depends on risk-weighted assets related to credit risk. That being said, 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 which is calculated on the basis of risk-weighted assets related to credit risk will not be applicable as of 1 January 2020.

The Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated debt". In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarised copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy thereof to be made after receipt of the BRSA's consent). In considering any such request for its permission the BRSA will evaluate whether the credit in question meets the following criteria:

- the debt instrument shall have been issued by the bank and such issuance shall be approved by the CMB and shall have been fully collected in cash,
- in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors,
- the debt instrument shall not be related to any derivative operation or contract violating the condition stated in the second clause nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,
- 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, and
- the payment of debt before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital. In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilisation), they would be required to obtain the BRSA's permission. Upon any such application, the BRSA will seek to ensure that the equity of the bank shall exceed the higher of: (a) the capital adequacy requirement that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (b) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (c) the higher capital requirement set by the BRSA (if any).

In connection with secondary subordinated debt pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (i.e., not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the equity related criteria stated above.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20% each year.

Liquidity Reserve Requirement

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSB. Within this framework, a comprehensive liquidity arrangement was put in place by the BRSA, following the consent of the Central Bank.

The Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which BRSA 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, both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948 (the "**Regulation on Liquidity Coverage Ratios**") and entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels, which entered into effect on 1 January 2015). 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 non-consolidated liquidity and 80% in respect of total consolidated and non-consolidated foreign exchange liquidity; however, pursuant to the BRSA Decision on Liquidity Ratios, for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40% respectively, and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes noncompliance 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 Communiqué Regarding Reserve Requirements numbered 2013/15 and published in the Official Gazette dated 25 December 2013 and numbered 28862 ("**Communiqué Regarding Reserve Requirements**") and as of the date of this Base Prospectus, the reserve requirements regarding foreign currency liabilities vary by category and tenor. Pursuant to the most recent amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 21 September 2019 and numbered 30895, the reserve requirements starting from 20 September 2019 and onwards for foreign currency liabilities as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, and deposits/participation accounts up to one month, up to three months, up to six months and up to one year maturities	17%
Deposits/participation accounts and precious metal deposit accounts with one year and longer maturity and cumulative deposits/participation accounts	13%
Other liabilities up to one year maturity (including one year)	21%
Other liabilities up to two years maturity (including two years)	16%
Other liabilities up to three years maturity (including three years)	11%
Other liabilities up to five years maturity (including five years)	7%
Other liabilities longer than five years maturity	5%
Special fund pools	Ratios for corresponding maturities above

Pursuant to the Communiqué Regarding Reserve Requirements, starting from 8 February 2019, the reserve requirements regarding Turkish Lira liabilities vary by category and tenor, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits	7.0%
Up to 1 month maturity (including 1 month)	7.0%
Up to 3 months maturity (including 3 months)	7.0%
Up to 6 months maturity (including 6 months)	4.0%
Up to 1 year maturity	2.0%
With maturities of 1 year and longer	1.0%
2) Borrowers' deposit accounts held at development and investment banks*	7.0%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1 year maturity (including 1 year)	7.0%
Up to 3 years maturity (including 3 years)	3.5%
Longer than 3 years maturity	1.0%

** Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.*

The reserve ratios listed in the table above are subject to continuous changes by the Central Bank, and the Bank maintains the required reserves in the amount determined by the Central Bank. Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest bearing (reserve accounts in foreign currencies have not been interest bearing since 2008). Pursuant to the Communiqué Regarding Reserve Requirements, interest may accrue on the reserve accounts in accordance with rules and procedures determined by the Central Bank.

On 19 August 2019, with the intention of using reserve requirements more flexibly and effectively as a macro prudential tool to support financial stability, CBRT decided to change the ratio of and the remuneration applied to required reserves. Accordingly, the reserve requirement ratios for Turkish Lira liabilities and the remuneration rates for Turkish Lira-denominated required reserves are linked to the annual growth rates of the total of banks' Turkish Lira-denominated standardized cash loans and cash loans under close monitoring, excluding foreign currency-indexed loans and loans extended to banks. For banks whose loan growth is between 10% and 20% (reference values), the reserve requirement ratios for Turkish Lira liabilities in all maturity brackets excluding deposits and participation funds with 1-year or longer maturity (excluding deposits/participation funds obtained from banks abroad) and other liabilities with longer than 3-year maturity (including deposits/participation funds obtained from banks abroad), will be set at 2%. The reserve requirement ratios for other banks are left unchanged. Additionally, the current remuneration rate of 13% applied to Turkish Lira-denominated required reserves, is set at 15% for banks with a loan growth between the reference values and at 5% to others. According to the new arrangement, loan growth rates will be calculated in each reserve requirement period and the banks whose loan growth is between the reference values will be subject to the related reserve requirement ratios and remuneration rates in the next three-months (six reserve requirement periods).

On 9 December 2019, the CBRT rehauled the loan-growth-based reserve requirement system described in the paragraph above. It announced that, effective from 29 November 2019, it takes into account lower reference rates to determine which banks that can benefit from the special reserve requirement regime, while introducing a mechanism whereby loan growth will be calculated in adjusted terms having regard to CPI.

Accordingly, it announced that the following banks are subject to a 2% required reserve ratio on TL deposits for all maturity brackets, except for those with a maturity of (i) 1 year and longer (for deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)); and, (ii) more than 3 years (for other liabilities (including deposit/participation accounts held at foreign banks)):

- banks that have a CPI-adjusted annual loan growth rate higher than 15%, *provided that* such rate would be equal to or lower than 15%, if it was calculated by deducting from the numerator of such rate the annual change in (i) housing loans with a maturity of five years or more and (ii) loans with a maturity longer than two years (excluding consumer loans and individual credit cards);

- banks that have a CPI-adjusted annual loan growth rate lower than 15%, *provided that* such rate would be equal to or higher than 5%, if it was calculated by deducting from the numerator of such rate half of the annual change in consumer loans (excluding housing loans with a maturity of five years or more) and individual credit cards; and

- banks that had an annual loan growth rate between 10% and 20% (reference values) and thereby met the former loan growth conditions described in the paragraph above announced on 19 August 2019, in the calculation period until (and including) 29 November 2019. These latter banks benefit from this required reserve ratio regime only for six calculation periods starting from the calculation period during which their loan growth rate was between the reference values.

The reserve requirements will also apply to gold deposit accounts. Furthermore, pursuant to the Communiqué Regarding Reserve Requirements issued by the Central Bank: (a) banks are permitted to maintain up to a maximum of 30% of the Turkish Lira reserve requirements in U.S. dollars (first 20% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times) and up to a maximum of 30% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6 times, second 5% at 1.7 times, third 5% at 2.1 times, and fourth 5% at 2.5 times the reserve requirement); and (b) up to the entire amount of reserve requirements that should be maintained for precious metal deposit accounts should be maintained in the form of standard gold in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their U.S. dollar denominated liabilities in U.S. dollars only; whereas, banks are allowed to maintain their required reserves against foreign currency denominated liabilities (other than U.S. dollars) in U.S. dollars or Euro.

From April 2013, the BRSA introduced additional reserve requirements for banks that did not meet a specified leverage ratio. Pursuant to the Communiqué on Reserve Requirements which entered into force as of 17 January 2014, banks must establish additional mandatory reserves if their financial leverage ratio falls within certain intervals. Currently, the Bank's leverage ratio is above the required limit and the Bank has not been required to increase reserves to date.

On 15 August 2017, an amendment to the Regulation on Liquidity Coverage Ratios (numbered 30155) increasing the inclusion ratio of the mandatory reserves held at the Central Bank to 100% from 50% in the calculation of liquidity coverage ratios was published in the Official Gazette. The Bank does not expect this change to negatively impact its liquidity coverage ratios or the Bank's business, financial condition and/or results of operation.

Foreign Exchange Requirements

The ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, such calculation being required 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 and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors shall establish audit committees for the execution of audit and monitoring functions. Audit committees shall consist of a minimum of two members who must be non-executive members of the board of directors. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' 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 and operate in a coordinated manner, on behalf of the board of directors. Furthermore, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities pursuant to the Internal Systems Regulation, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation Regarding the Independent Audit of the Banks, published in the Official Gazette on 2 April 2015, numbered 29314 (as amended from time to time). Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance is required for (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Interal Systems Regulation, issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057, which was most recently amended on 4 March 2017, standards as to principles of internal audit and risk management systems were established in order to bring such regulations into compliance with Basel II requirements.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the Borsa İstanbul. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA under the "Regulation on Procedures and Principles of Audit to be conducted by the BRSA", published in the Official Gazette dated 22 July 2006 and numbered 26236 ("**BRSA Annual Audits**"). BRSA Annual Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of a bank. Typically, as an outcome of the BRSA Annual Audit, the Group receives a report (the "**BRSA Financial Health Report**") and has an opportunity to reply to the report before it is finalised, and, once the final report from the BRSA is finalised, makes any necessary changes required for compliance. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off site examinations.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF is a public legal entity 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 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.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, the tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Treasury, the BRSA and the Central Bank.

Borrowings of the SDIF

The SDIF may borrow in extraordinary situations upon an authorisation from the Treasury by borrowing Government debt securities which are issued by the Treasury where it is deemed necessary. Principles and procedures regarding the borrowing of Government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

Power to Require Advances from Banks

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set off against their future premium obligations.

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, amount, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits 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, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

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.

Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

Claims

In the event of the bankruptcy of a bank, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since 15 February 2013, deposit accounts (Turkish Lira, foreign exchange currency accounts or other accounts linked to precious metals) opened by natural persons in domestic branches are insured by the SDIF up to an amount of TL 100,000 per person, in each deposit bank.

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 the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is such as to make it unable to conduct its business in a secure manner;
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient;
- the assets of such bank have been impaired in a manner weakening its financial structure;
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems; or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure.

Then the BRSA may require such bank:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to cease the exercise of providing loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit its new investments;
- to limit its salary distributions or other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions; and/or
- to take all actions to decrease any foreign exchange and interest rate risks.

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite it having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets;
- to decrease its operational costs;
- to postpone its payments, excluding the regular payments to be made to its members;
- not to make available any cash or non-cash loans to certain third persons or legal entities;

- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to apply the aforementioned actions; and/or

- to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business for a temporary period;

- to apply various restrictions, including restrictions with respect to resource collection and utilisation;

- to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers;

- to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders;

- to limit or cease its non-performing operations and to dispose of its non-performing assets;

- to merge with one or more other banks;

- to provide new shareholders in order to increase its equity capital; and/or

- to cover its losses with its equity capital.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) such bank cannot cover its liabilities as they become due, (e) the total amount of the liabilities of such bank exceeds the total amount of its assets, or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that 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 privileges of shareholders (excluding dividends) of such bank to the SDIF.

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. 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.

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 and financial reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

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.

When the BRSA requests a bank's financial reports, the chairman of the board, the audit committee, the general manager, the deputy general manager responsible for chief 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 reports comply with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

When the BRSA requests a bank's annual reports, the general manager, a representative of the audit committee and the deputy general manager responsible for chief financial reporting must sign the reports indicating their full names and titles and declare that the annual reports comply with relevant legislation and accounting records.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish annual reports that comply with the BRSA's established guidelines. These reports include the following information: corporate profile, assessment by the chairman of the board and general manager, details on banking and subsidiaries activities, management and organisation structures, financial situation, corporate governance practices including human recourse implementations, assessment of risk management and policies and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the Regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual General Assembly of the bank. Each bank must submit a copy of its annual report to the BRSA by the end of April and keep a copy of it in its headquarters and each branch and publish it on its website by the end of May.

Disclosure of Financial Statements

With the *Communiqué on Financial Statements* to be disclosed to the public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of the banks were promulgated. The amendments to the calculation of risk weighted assets and their implication of capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk are determined. In addition, new principles are determined with respect to the disclosure of, *inter alia,* position risks relating from securitisation transactions or investments on quoted stocks.

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 I capital) and supplementary capital (i.e., Tier II 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.

Further, 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 its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Anti-Money Laundering Policies

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the "**Law on the Prevention of Laundering Proceeds of Crime**").

Minimum standards and duties under the Law on the Prevention of Laundering Proceeds of Crime and related legislation in effect, namely, the "Regulations on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" the "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism", and the "Regulation on Suspension of the Transactions Pursuant to the Prevention of Laundering Proceeds of Crime" include customer identification, record keeping, suspicious transactions reporting, employee training, monitoring activities, designation of a compliance officer, and suspension of the suspicious transactions related to prevention of laundering proceeds of crime.

Suspicious transactions must be reported to the Financial Crimes Investigation Board.

The Bank believes it is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation. These regulations include requirements to have written policies and procedures on anti-money laundering and "know your customer" principles such as, assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks ("**Basel III**"). A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the Basel III draft proposal, and the Basel Committee issued a final comprehensive framework in December 2010. On 1 February 2013, the BRSA published draft regulations for the implementation of Basel III in Turkey. The consultation period for these draft regulations ended on 1 March 2013 and the BRSA made a public announcement on 1 July 2013 that Basel III requirements to be adopted with the regulations will be effective as of 1 January 2014. On 5 September 2013, the regulation on equities of banks (i.e. the Equity Regulation) and the amendments to the regulation on capital adequacy requirements (i.e. the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, which regulation was later replaced by the 2016 Capital Adequacy Regulation, effective as of 31 March 2016) were published in the Official Gazette numbered 28756 both of which entered into effect on 1 January 2014. In addition to these new regulations: (a) regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 (the "**Regulation on the Capital Maintenance and Cyclical Capital Buffer**"), (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 (the "**Regulatiuon on the Measurement and Evaluation of Leverage Levels of Banks**") and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published the Regulation on Liquidity Coverage Ratios in the Official Gazette dated 21 March 2014 and numbered 28948. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. On 6 August 2014, the BRSA announced that a number of draft regulations, including a guide for stress tests on liquidity and regulation on the calculation of internal capital adequacy, presented for public opinion as part of BRSA's efforts of promulgating Basel III requirements by April 2014, had been finalised and announced in the Official Gazette. On 6 September 2014 an amendment to the Equity Regulation, the draft of which was presented for public opinion in June 2014, was published in the Official Gazette and entered into force. This amendment introduced certain novelties as to BRSA's authority to write off Tier I and Tier II debt instruments. In addition to this amendment, on 6 September 2014, an amendment to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks was published in the Official Gazette as well as other regulations as to calculation of capital adequacy as part of BRSA's efforts to adopt Basel III requirements.

On 23 October 2015, the BRSA issued certain amendments to regulatory capital regulations with a view to align the Turkish regulatory capital regime with Basel III requirements, which are all published in the Official Gazette numbered 29511 and which are all to enter into force on 31 March 2016. Briefly these new regulations foresaw (i) certain amendments to the Equity Regulation, introducing certain clarifications to the eligibility requirements of Additional Tier 1 and Tier 2 instruments and also amending the regulatory treatment of certain capital items that are taken into account for the purposes of calculating regulatory capital of the banks; (ii) certain amendments to the Internal Systems Regulation imposing new regulatory requirements to enhance the effectiveness of the internal risk management and internal capital adequacy assessment including among others, introduction of new stress test requirements; and, (iii) the introduction of the 2016 Capital Adequacy Regulation to replace the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks. The BRSA also issued draft regulation to amend the existing equity regulation with the intention to revise the regulatory capital treatment of certain Additional Tier 1 Notes and Tier 2 Notes issued by Turkish banks issued before 1 January 2014 based on their issuance dates, maturity and certain terms and conditions in accordance with Basel III requirements.

On 23 February 2016, the BRSA issued the domestic systemically important banks ("**D-SIBs**") regulation (the "**D-SIBs Regulation**") introducing a methodology for assessing the degree to which banks are systemically important in the domestic market. The contemplated methodology requires the identification of the Turkish DSIBs under four different categories based on their 2014 year-end consolidated financial statements, and requires the banks falling within these categories to hold 1 to 3 per cent. of additional core capital (*ilave çekirdek sermaye*) of their total risk-weighted assets. This additional core capital requirement entered into effect on 31 March 2016, subject to a transition period as set out below.

Groups	**D-SIBs Buffer Ratios (%)**			
	2016	**2017**	**2018**	**from 1 January 2019**
4th group (empty)	0.75	1.5	2.25	3
3rd group	0.5	1	1.5	2
2nd group	0.375	0.75	1.125	1.5
1st group	0.25	0.5	0.75	1

As of the date of this Base Prospectus, the Bank is classified in the second group, although the Bank expects be classified into the first group as of 1 January 2020, resulting in a decrease of 50 bps with respect to its required D-SIBs buffer ratio.

The Basel III framework includes several key initiatives, which change the capital adequacy framework the Basel Committee previously published in 1999 ("**Basel II**"). The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base.

Further, to be eligible as Tier I and Tier II capital, instruments will need to meet more stringent requirements.

- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirement for trading book and re securitisation activities, and were implemented in December 2011 throughout Europe. Further changes, to be implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment ("**CVA**").

- New minimum requirements and capital buffer requirements are increased. The Basel Committee has defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier I ratio, 6% Tier I ratio and 8% capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5% in order not to face restrictions.

As the quality of the capital base is already high with common equity constituting the majority of the capital base, the Bank expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the capital requirements set forth within the Basel III framework.

The Basel Committee has also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

Liquidity Coverage Ratio (LCR)

LCR is a metric measuring the adequacy of unencumbered free liquid assets ("**High quality liquid assets**") to meet expected net cash flows over the next 30 days. LCR is an important Basel regulation metric that measures short-term liquidity and is closely monitored in the Group.

High quality liquid assets included in the LCR calculation consist of cash, effective money, CBRT accounts and reserves and debt instruments issued by the Treasury of the Republic of Turkey which are treated as high quality liquid assets.

Cash outflows from derivative transactions in the LCR calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in LCR calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subject of guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in the CBRT market and interbank market.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below. The Group's LCR based on the simple average of the last nine months LCR for 30 September 2019 was 176.41%. The table below shows the calculation of LCR for the periods indicated:

	30 September 2019(1)				31 December 2018(1)			
	Unweighted Amounts		Weighted Amounts		Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets								
High Quality Liquid Assets			81,640,846	42,208,954			72,363,955	44,615,297
Cash Outflows								
Retail and Small Business Customers Deposits	131,486,610	69,833,672	11,859,472	6,983,266	117,062,064	56,132,353	10,549,624	5,613,177
Stable deposits	25,783,783	2,015	1,289,189	101	23,131,651	1,161	1,156,583	58
Less stable deposits	105,702,827	69,831,657	10,570,283	6,983,165	93,930,413	56,131,192	9,393,041	5,613,119
Unsecured Funding other than Retail and Small Business Customers Deposits	85,307,593	45,062,803	47,555,340	21,680,689	91,519,027	56,615,062	50,542,765	28,231,119
Operational deposits	—	—	—	—	—	—	—	—
Non-Operational deposits	65,433,619	41,121,242	30,796,829	17,739,127	70,939,732	49,721,502	32,717,588	21,338,775
Other Unsecured funding	19,873,974	3,941,561	16,758,511	3,941,562	20,579,295	6,893,560	17,825,177	6,892,344
Secured funding			43,746	32,410	—	—	70,039	69,517
Other Cash Outflows	2,379,309	2,379,309	2,379,309	2,379,309	9,572,692	16,589,239	9,572,692	16,589,239
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2,379,309	2,379,309	2,379,309	2,379,309	9,572,692	16,589,239	9,572,692	16,589,239
Debts related to the structured financial products	—	—	—	—	—	—	—	—
Commitment related to debts to financial markets and other off balance sheet liabilities	—	—	—	—	—	—	—	—
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	92,964,085	64,902,301	4,648,204	3,245,115	95,711,522	67,934,687	4,785,576	3,396,734
Other irrevocable or conditionally revocable commitments	80,743,257	17,312,887	8,525,530	4,127,624	78,407,939	17,588,666	6,129,908	1,277,846
Total Cash Outflows			**75,011,601**	**38,448,413**			**81,650,604**	**55,177,632**
Cash Inflows								
Secured Lending Transactions	—	—	14,920	—	—	—	467	—
Unsecured Lending Transactions	35,313,782	21,119,057	28,091,515	19,052,947	35,311,991	19,588,304	26,372,518	16,764,278
Other Contractual Cash Inflows	626,784	21,895,435	626,783	21,895,435	2,183,137	18,712,637	2,183,137	18,712,637
Total Cash Inflows	**35,940,566**	**43,014,492**	**28,733,218**	**40,948,382**	**37,495,128**	**38,300,940**	**28,556,122**	**35,476,915**
Capped Amounts								
Total High Quality Liquid Assets			**81,640,846**	**42,208,954**			**72,363,955**	**44,615,297**
Total Net Cash Outflows			**46,278,383**	**9,612,103**			**53,094,483**	**19,700,717**
Liquidity Coverage Ratio (%)			**176,41**	**439,12**			**136,29**	**226,47**

(1) Figures are calculated based on the simple average between figures for the last three months.

Loan-Deposit Spreads and Loan Yields

The table below shows the calculation of Loan-Deposit Spreads and Loan Yields as of 30 September 2019 and 30 September 2018:

	30 September 2019	30 September 2018
	(TL thousands, except %)	
Daily Annualisation	20,789,097	17,634,523
Interest income on Performing Loans	16,200,674	13,175,624
TL	215,803,514	238,837,899
Total Performing Loans	126,595,915	126,243,565
TL	214,179,561	215,860,237
Average Performing Loans(1)	123,429,232	124,946,443
TL	13.0%	10.9%
Performing Loan Yield	17.5%	14.1%
TL Performing Loan Yield	12,538,346	9,249,230
Interest cost on Deposits	10,667,621	7,278,001
TL	210,943,701	211,023,507
Deposits	94,107,101	90,477,463
TL	206,746,418	190,185,362
Average Deposits(1)	93,444,559	83,205,786
TL	8.1%	6.5%
Cost of Deposit	15.3%	11.7%
Cost of Deposit (TL)	4.9%	4.4%
Performing Loan - Deposit spreads	2.3%	2.4%
Performing Loan - Deposit spreads (TL)	20,789,097	17,634,523

(1) Average figures are calculated as the average between the figures for the beginning and end of the period.

Personal Data Protection

The Law on Protection of Personal Data (the "**Law No. 6698**") was accepted on 24 March 2016 and published in the Official Gazette dated 7 April 2016 and numbered 29677. A majority of the provisions of Law No. 6698 became effective from 7 April 2016.

Under Law No. 6698, the main requirement to collect and process personal data is to obtain explicit consent of the person whose data will be collected and processed ("**Data Subject**"). However, personal data can also be collected and processed without the Data Subject's consent in any of the conditions stated below:

- if collection and processing is permitted by any specific law provision,
- if the Data Subject is under a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of the Data Subject's or third parties' life or physical integrity,
- if processing is necessary for the formation or performance of a contract to which the Data Subject is a party,
- if processing is mandatory for a data controller to perform his/her legal duties,
- if personal data has been made available to the public by the Data Subject himself/herself,
- if processing is mandatory for assigning, using or protecting a right,
- if processing is necessary for purposes within the scope of work and services provided by the data controller, which are considered by Turkish Law its "legitimate interest," provided that the fundamental rights and freedoms of the Data Subject are protected.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, appearance and way of dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered sensitive personal data. Under Law No. 6698, sensitive personal data may only be processed upon the Data Subject's explicit consent. The conditions to legally process sensitive personal data are as follows:

- obtaining explicit consent of the Data Subject and,
- taking necessary precautions determined by the data protection board of the Republic of Turkey ("**Data Protection Board**").

However, explicit consent of the Data Subject is not required to legally process the above noted sensitive data under any of the conditions set out below:

- sensitive data, except for data concerning health and sexual life, can be processed if explicitly permitted by law,
- data concerning health or sexual life can only be processed for the purposes of protection of public health and planning or sustaining health-care services by an authorised body or persons who are under an obligation of confidentiality,
- collection and processing is permitted by any specific law provision, and
- collection and processing is mandatory for assigning, using or protecting a right.

According to Law No. 6698, personal data may only be transferred to third parties with the Data Subject's explicit consent. In the absence of such consent, personal data may still be transferred to third parties if the conditions mentioned above for the processing of personal and sensitive data are met.

Personal data can also be transferred to third countries with the explicit consent of the Data Subject. In the absence of such consent, personal data may still be transferred to third countries if the conditions mentioned above for the processing of personal and sensitive data are met and the laws of the country to which the personal data will be transferred adequately protect personal and sensitive data.

In case there is no adequate legal protection for personal and sensitive data in the third country, the data controllers in Turkey and in the relevant country must undertake in writing to adequately protect such data and the Data Protection Board must also approve such transfer. The Data Protection Board will determine the list of countries which adequately protect and to which personal data may be transferred without the explicit consent of the Data Subject.

All personal data, processed or collected before the enactment of the Law No. 6698, is required to be brought in conformity with the articles of Law No. 6698 within two years.

Foreign Exchange Legislation

Decree 32 was amended, effective as of 2 May 2018, in order to introduce new restrictions on Turkish corporates utilising foreign currency loans from Turkey and outside of Turkey. While the new regime continues to maintain the existing prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange indexed loans, it further introduces a strict prohibition on Turkish non-bank corporates ("**Corporate Borrower**") utilising foreign currency indexed loans and also brings in new restrictions on Corporate Borrowers utilising foreign currency loans ("**F/X Loan Restriction**").

Accordingly, a Corporate Borrower shall only be permitted to utilise foreign currency loans if (i) it generates foreign currency-denominated revenue (which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities" in the new legislation) (the "**F/X Revenue Exemption**"); (ii) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the "**Activity Exemption**"); or (iii) if as of 2 May 2018, the unpaid outstanding balance of its total foreign currency loans and/or foreign currency indexed loans ("**Loan Balance**") is more than U.S.$15 million.

As far as the F/X Revenue Exemption is concerned, if the Loan Balance of a Corporate Borrower is below U.S.$15 million, the sum of the foreign currency loan to be utilised and the existing Loan Balance must not be more than the combined value of its foreign currency revenues as stated in its financial statements for the last three years. The Turkish-resident financial institutions are obliged to control whether such Corporate Borrower complies with this rule. If not, the Turkish-resident financial institutions are obliged to either cancel or convert into Turkish Lira, the portion of the foreign currency loan that exceeds this value.

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, (i) a domestic tender with an international element awarded to such Corporate Borrower; (ii) defence industry projects approved by the Undersecretariat of Defence Industry; (iii) public private partnership projects; or (iv) 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 revenues (*muhtemel döviz geliri*). Note that in order for a Corporate Borrower to benefit from the Activity Exemption summarised in item (iv), it must not have any foreign currency revenue within the last three financial years (which otherwise, would be subject to the F/X Revenue Exemption) and the maximum amount of foreign currency loan such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign revenue. The Ministry of Treasury and Finance is entitled to extend the scope of the Activity Exemption, and has exercised such authority and included, among others, privatisation tenders, public tenders awarded with an FX consideration and unlicensed electricity generation projects within this scope.

Caps on Credit Card Interest Rates and POS Commission Rates

The Central Bank adjusts from time to time the monthly cap on individual credit card interest rates, which was reduced most recently on 6 April 2019 from 2.25% to 2.15% to 2.0% on 29 June 2019 and to 1.60% on 28 September 2019. Further, on 16 October 2019, the Central Bank introduced an amendment to the Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profit and Loss Participation Rates and Benefits in Credit Transactions Other than Interest (*Mevduat ve Kredi Faiz Oranları ve Katılma Hesapları Kâr ve Zarara Katılma Oranları ile Kredi İşlemlerinde Faiz Dışında Sağlanacak Diğer Menfaatler Hakkında Tebliğ*) published in the Official Gazette dated 09 December 2006 and numbered 26371 (the "**Communiqué on Deposit and Loan Interest Rates**"), capping the commission rates applied by the banks in their point of sale ("**POS**") business. As per the Communiqué on Deposit and Loan Interest Rates, from 1

November 2019 onwards, the POS commission rates applied by the banks in goods and service purchases are capped with 1.60%, if the amounts from such purchases are transferred by the banks to the merchant's disposal the day following the transaction. In the event that such purchase is made in instalments, for each additional instalment, this cap is increased by 0.89%. If the amounts from such purchases are not transferred by the banks to the merchant's disposal the day following the transaction, such cap for commission rates are decreased by taking into account the number of days between the day of the transaction and the day on which the amounts from such purchases are transferred by the banks to the merchant's disposal.

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 "**Eligible 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 Eligible 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 Eligible Creditors that sign the Framework Agreement are suspended and no new enforcement action can be initiated by such Eligible 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 Eligible Creditor over any other Eligible Creditor. Following the negotiations, if a restructuring protocol is entered into between such number of Eligible 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 Eligible 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. Furthermore, the Banking Law has been amended on 19 July 2019 to incorporate, among others, a provisional article which forms the legislative basis of the Restructuring Regulation. Such amendments contemplate certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring, as well as a provision which states that reduction of collateral pool, write-off of principal or other receivables or such other actions taken by banks to effectuate the restructuring of loans shall not constitute embezzlement offence set out under Article 160 of the Banking Law.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term “accounted for” means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7 per cent. withholding tax for notes with an original maturity of less than one year,
- 3 per cent. withholding tax for notes with an original maturity of at least one year and less than three years, and
- 0 per cent. withholding tax for notes with an original maturity of three years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required. The Provisional Article 67 is valid until end of 2020.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding tax at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding tax. 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 over the bonds are exempt from the Value Added Tax ("**VAT**") pursuant to the Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended with 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.

Certain United States Federal Income Taxation Consequences

Except where otherwise stated, the following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Registered Notes by a U.S. Holder (as defined below) that acquired such Registered Notes at initial issuance at their published offer price, that will hold the Registered Notes as capital assets, and whose functional currency is the U.S. dollar. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms or a supplement to this Base Prospectus will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Registered Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks and other financial institutions, tax-exempt organisations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons who have ceased to be U.S. citizens or to be taxed as U.S. lawful permanent residents and investors that will hold the Registered Notes as part of straddles, hedging or conversion transactions, or as part of a synthetic security for U.S. federal income tax purposes).

As used herein, the term "U.S. Holder" means a beneficial owner of Registered Notes that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organised in or under the laws of the United States, the District of

Columbia, or any State thereof; (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

The Issuer generally intends to treat Notes issued under the Programme as debt. Certain Notes, however, may be treated as equity or some other type of instrument or interest for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than debt may apply may be discussed in a supplement to this Base Prospectus. This summary does not discuss Notes with a maturity of greater than 30 years, the impact of redenomination of a Note, Notes that by their terms may be retired for an amount less than their principal amount and Notes subject to special rules.

This summary is based on the Code, as amended, existing and proposed treasury regulations, administrative pronouncements and judicial decisions, each as of the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms or in a supplement to this Base Prospectus.

New Legislation

U.S. Holders that maintain certain types of financial statements and use the accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although the precise application of this rule is unclear at this time. However, recently released proposed regulations generally would exclude, among other items, original issue discount and market discount (in either case, whether or not de minimis) from the applicability of this rule. Although the proposed regulations generally will not be effective until taxable years beginning on or after the date on which the final regulations are published in the U.S. Federal Register, taxpayers generally are permitted to elect to rely on their provisions currently. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

Payment of Interest

Interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars ("foreign currency" interest on a "Foreign Currency Note"), other than interest on a Discount Note that is not "qualified stated interest" (each as defined below under "Original Issue Discount – General"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "Original Issue Discount – General") generally will constitute income from sources outside the United States for the purposes of the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Notes (if applicable).

Original Issue Discount

General

A Note that only provides for the payment of amounts that are qualified stated interest before maturity, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") if the excess of the Note's stated redemption price at maturity over its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "instalment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of qualified stated interest. A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described under "– Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note (qualified stated interest). Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has de minimis OID, a U.S. Holder must include the de minimis amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described under "– Election to Treat All Interest as Original Issue Discount". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Note ("accrued OID"). The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as: (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of: (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The adjusted issue price of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by: (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the stated redemption price at maturity (the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest), but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described under "– Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described under "– General", with certain modifications. For the purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described under "– Notes Purchased at a Premium") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the United States Internal Revenue Service ("IRS"). However, if the Note has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium (other than debt instruments, the interest on which is excludible from gross income) held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note (as defined below under "– Market Discount"), the electing U.S. Holder will be treated as having made the election discussed under "– Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the advisability and consequences of making this election.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For the purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Note, other than a Short-Term Note, that is not acquired at its original issue generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity (sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest) or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes de minimis market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This constant yield election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount (or, for a Discount Note, the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest) may elect to treat the excess as amortisable bond premium, in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds, (other than bonds, the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Please see also "– Election to Treat All Interest as Original Issue Discount". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will generally recognise a capital loss when the Note matures.

Variable Rate Debt Instruments

Generally, a Floating Rate Note will qualify as a “variable rate debt instrument” if: (a) its issue price does not exceed the total noncontingent principal payments due under the Floating Rate Note by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (ii) 15% of the total noncontingent principal payments; (b) it does not provide for stated interest other than stated interest that pays or compounds at least annually at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) each qualified floating rate or objective rate in effect at any time during the term of the Note is set at a current value of that rate (i.e., the value of the rate on any day that is no earlier than three months prior to the first day on which the value is in effect and no later than one year following that first day).

A “qualified floating rate” is any variable rate where: (a) variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated; or (b) the rate is equal to a rate specified in (a) multiplied by either a fixed multiple that is greater than 0.65 but not more than 1.35; or (c) the rate is equal to a rate specified in (a) or (b), increased or decreased by a fixed rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be presumed to meet the requirements of the previous sentence if the values of all rates on the issue date are within 25 bps of each other. Notwithstanding the foregoing, a variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps, floors, governors or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

An “objective rate” is a rate that: (a) is not a qualified floating rate; and (b) is determined using a single fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party. Despite the foregoing, a variable rate of interest on

Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes' term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate," is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, and the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated.

Generally, if a Floating Rate Note provides for stated interest (payable unconditionally at least annually) at a fixed rate for an initial period of one (1) year or less followed by a variable rate that is either a single qualified floating rate or a single objective rate, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. If the Notes pay interest at a single objective rate or a single qualified floating rate, the amount of original issue discount allocated to an accrual period, if any, is determined by using the constant yield method with a fixed rate equal to, in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note that is a variable rate debt instrument does not provide for stated interest at a single qualified floating rate or single objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of qualified stated interest and the amount and accrual of original issue discount on the Note are generally determined by: (a) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the yield that is reasonably expected for the Note); (b) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above); (c) determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument (by applying the general original issue discount rules as described above in "Original Issue Discount"); and (d) making the appropriate adjustment for actual variable rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), a U.S. Holder generally must determine the amount of interest and original issue discount accruals by using the method described in the preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

A Floating Rate Note that does not qualify as a variable rate debt instrument will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of such a Note will be more fully described in the relevant supplemental prospectus.

Substitution of a Successor Rate or Alternative Rate in relation to any Notes which pay a Floating Rate of Interest following a Benchmark Event

Following the occurrence of a Benchmark Event, the Rate of Interest on any Notes which pay a floating rate of interest will be determined on the basis of the applicable Successor Rate or Alternative Rate. It is possible that such replacement of the Original Reference Rate with a Successor Rate or Alternative Rate could be treated as a significant modification of such Notes. In such event, for U.S. federal income tax purposes, such Notes would be treated as having been exchanged for new notes (a "deemed exchange") and a U.S. Holder could be required to recognize taxable gain with respect to such Notes as a result of the "deemed exchange". In addition, such Notes may be treated as being issued with OID. Notwithstanding the foregoing, a substitution of a Successor Rate or Alternative Rate for the Original Reference Rate and Benchmark Amendments may be considered as ocurring pursuant to the original terms of the Notes, in which case, a "deemed exchange" should not occur and a U.S. Holder should not be required to recognize taxable gain with respect to the notes. U.S. Holders should consult their own tax advisors in this regard.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by: (i) the amount of any payments that are not qualified stated interest payments; and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised on the sale or retirement of a Note is taxable as interest income to the extent of accrued but unpaid interest not previously included in income. Except to the extent described under "Original Issue Discount – Market Discount", "Original Issue Discount – Short-Term Notes" or "Contingent Payment Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Contingent Payment Notes

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they generally will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments, unless the Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Holder would otherwise be required to include in income in the taxable year; and

- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:

  - the amount of all previous interest inclusions under the contingent payment debt instrument over

  - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Holder recognises loss above certain thresholds, the Holder may be required to file a disclosure statement with the IRS.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The Holder's holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("Foreign Currency Contingent Payment Notes"). Very generally, these Notes are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Notes. The relevant amounts must then be translated into U.S. dollars. The rules applicable to Foreign Currency Contingent Payment Notes are complex and U.S. Holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such Notes.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the spot rate of exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate of exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under "– Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate of exchange on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate of exchange on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate of exchange in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Purchase, Sale and Retirement of Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note: (i) on the date of sale or retirement; and (ii) on the date on which the U.S. Holder acquired the Note. Any exchange rate gain or loss recognised on the sale or retirement of a Note (including any exchange rate gain or loss with respect to the receipt of accrued but unpaid interest and OID in the transaction) shall be realised only to the extent of the total gain or loss realised on the transaction.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to U.S. Holders of any other type of Note that the Issuer may issue under the Programme will be set forth, if required, in the relevant Final Terms or a supplement to this Base Prospectus.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by financial institutions in which case such accounts may be reportable if maintained by a foreign financial institution). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. A reportable transaction includes transactions involving foreign currency losses exceeding a statutory amount. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale or other disposition of the Notes.

Backup Withholding and Information Reporting

Payments of interest and accrued OID on, and the proceeds of a sale, exchange, redemption or other disposition of, Notes, payable to a U.S. Holder by a paying agent or other intermediary, may be subject to information reporting to the IRS. In addition, certain U.S. Holders may be subject to backup withholding tax in respect of such payments if they do not provide an accurate taxpayer identification number or certification of exempt status to a paying agent or other intermediary or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders (including, among others, corporations) are not subject to information reporting or backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their purchase, ownership and disposition of Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

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 transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

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 Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may 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 which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans, that are subject to Title I of ERISA (collectively, "**ERISA Plans**"), should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) that are subject to Section 4975 of the Code (together with ERISA Plans, "**Plans**"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("**Parties in Interest**") with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are 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) ("**Non-ERISA Arrangements**") are not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local or non-U.S. laws or regulations ("**Similar Laws**").

The acquisition or holding of the Notes by a Plan with respect to which we or a dealer or certain of our or its affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired and held pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither the issuer nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and the Plan pays no more and receives no less than "adequate consideration" in connection with the transaction. The U.S. Department of Labor has also issued five prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Unless provided otherwise in a supplement to the Base Prospectus, the Notes will be eligible for purchase by Plans. Any purchaser or transferee (and if the purchaser or transferee is a Plan or Non-ERISA Arrangement, its fiduciary or trustee) of Notes (or any interest therein) will be deemed to have represented and warranted by its acquisition and holding of the Notes (or any interest therein) that either (1) it is not a Plan and is not acquiring or holding the Notes (or any interest therein) on behalf of or with "plan assets" of any Plan, and it is not a Non-ERISA Arrangement subject to Similar Law, or (2) its acquisition, holding and subsequent disposition of the Notes (or any 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, in the case of a Non-ERISA Arrangement, will not constitute or result in a violation of the provisions of any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any acquisition or holding of Notes under Similar Laws, as applicable.

Each purchaser and holder of a Note (or any interest therein) that is a Plan will be deemed to represent, warrant and agree on each day on which such beneficial owner acquires such Note or interest therein through and including the date on which it disposes of such Note or interest therein that (i) none of the Issuer, Arrangers, or Dealers or any of their respective affiliates (the "**Transaction Parties**") has provided or will provide any investment advice within the meaning of Section 3(21) of ERISA to the Plan, or to any fiduciary or other person investing the assets of the Plan (the "**Fiduciary**"), in connection with its acquisition of the Notes, and (ii) the Fiduciary is exercising its own independent judgement in evaluating the investment in the Notes.

Each purchaser and transferee (and if such purchaser or transferee is a Plan or Non-ERISA Arrangement, its fiduciary or trustee) of the Notes has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, Section 4975 of the Code or any applicable Similar Laws. The sale of any Notes to any Plan or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 4 September 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme. Subject to the terms agreed for any specific Tranche of Notes, the Issuer has agreed to reimburse any relevant Dealer(s) for certain expenses in connection with the issue of a Tranche of Notes under the Programme and to indemnify any relevant Dealer(s) against certain liabilities which may be incurred by them in connection therewith.

Transfer Restrictions

As a result of the following restrictions, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

Turkey

The Issuer has obtained the CMB Approval from the CMB required for the issuance of Notes under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and related legislation, the Capital Markets Law and related regulations. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in.

Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 (No. 3665), the BRSA decision dated 30 September 2010 (No. 3875) and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; provided that (for each of clauses (a) and (b)) such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

An issuance certificate (*ihraç belgesi*) and/or a tranche issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Notes shall be prepared by, and the CMB approval thereof shall be obtained by, the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain the authorisation and approval of the CMB as necessary for the offer, sale and issue of Notes under the Programme. In particular, in order to issue any further Tranche of Notes after 4 April 2020 the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 4 April 2020, if and when the aggregate nominal amount of all Notes issued and sold following 4 April 2019 under the Programme exceeds U.S.$7,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of Notes and, additionally, if and when the aggregate nominal amount of Notes issued and sold following 4 April 2019 that meet the qualifications specified in the Equity Regulation and that may be included in the calculation of equity of the Bank under the Programme exceeds U.S.$2,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of such Notes.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

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Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;

(b) that it is not formed for the purpose of investing in the Issuer;

(c) that it, and each account for which it is purchasing, will hold and transfer at last the minimum denomination of the Notes;

(d) that it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories;

(e) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Note have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and the Issuer has not registered and does not intend to register as an investment company under the Investment Company Act and, accordingly, the Notes 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;

(f) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States 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, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(g) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (g) above, if then applicable;

(h) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(i) that it understands that the Issuer has the power to compel any beneficial owner of Notes represented by a Rule 144A Global Note that is a U.S. person and is not a QIB to sell its interest in such Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in any Rule 144A Global Note to a U.S. person who is not a QIB. Any purported transfer of an interest in a Rule 144A Global Note to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void;

(j) except as otherwise provided in a supplement to the Base Prospectus, (a) either: (i) it is not a Plan and is not acquiring or holding the Notes (or any interest therein) on behalf of or with "plan assets" of any Plan, and it is not a Non-ERISA Arrangement subject to Similar Law; or (ii) its acquisition, holding and subsequent disposition of such Notes (or any 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, in the case of a Non-ERISA Arrangement, will not constitute or result in a violation of Similar Law; and (b) if it is a Plan, (i) none of the Transaction Parties has provided or will provide any investment advice within the meaning of Section 3(21) of ERISA to the Plan, or to the Fiduciary, in connection with its acquisition of the Notes, and (ii) the Fiduciary is exercising its own independent judgement in evaluating the investment in the Notes. Any purported purchase or transfer of such Notes or interests therein that does not comply with the foregoing shall be null and void;

(k) to the extent Plans or Non-ERISA Arrangements are prohibited from purchasing a Note or any interest therein under a supplement to this Base Prospectus, it is not, and for so long as it holds such Note (or any interest therein) it will not be, and will not be acting on behalf of or with "plan assets" of, a Plan, or a non-ERISA Arrangement subject to Similar Law. Any purported purchase or transfer of such Note (or interest therein) that does not comply with the foregoing shall be null and void;

(l) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, AND, ACCORDINGLY, THE SECURITIES 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 IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("**QIB**"), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY) THAT IS NOT, IN EACH CASE, (i) A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (ii) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER AND (iii) A PLAN OR TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(D), (E) OR (F) OF RULE 144A IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

ANY RESALE OR OTHER TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OR ANY OF ITS AGENTS. IN ADDITION TO THE FOREGOING, IN THE EVENT OF A TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) TO A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB, THE ISSUER MAY (A) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON WHO (I) IS A U.S.

PERSON WHO IS A QIB THAT IS OTHERWISE QUALIFIED TO PURCHASE THIS SECURITY OR INTEREST HEREIN IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S OR (B) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE ORIGINAL TRANSFEREE, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF THIS SECURITY OR INTEREST HEREIN TO A U.S. PERSON WHO IS NOT A QIB. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE. THE ISSUER HAS NOT REGISTERED AND NOR DOES IT INTEND TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

EACH PURCHASER OF THIS SECURITY (OR ANY INTEREST HEREIN) AGREES THAT IT WILL BE DEEMED BY SUCH PURCHASE OF THIS SECURITY (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER DISPOSES OF THIS SECURITY (OR ANY INTEREST HEREIN), THAT, UNLESS OTHERWISE PROVIDED IN A SUPPLEMENT TO THE BASE PROSPECTUS, (A) EITHER (I) IT IS NOT, AND IS NOT ACQUIRING OR HOLDING THIS SECURITY (OR ANY INTEREST HEREIN) ON BEHALF OF OR WITH "PLAN ASSETS" OF, AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE PLAN ASSETS BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH OF THE FOREGOING, A "**PLAN**") OR A GOVERNMENTAL, CHURCH OR NON-US PLAN SUBJECT TO FEDERAL STATE, LOCAL OR NON-US LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") OR (II) ITS ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THIS SECURITY (OR ANY 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, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-US PLAN, WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAWS, AND (B) IF IT IS A PLAN, (I) NONE OF THE ISSUER, ARRANGERS, OR DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES (THE "**TRANSACTION PARTIES**") HAS PROVIDED OR WILL PROVIDE ANY INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE PLAN, OR TO ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE PLAN (THE "**FIDUCIARY**"), IN CONNECTION WITH ITS ACQUISITION OF THIS SECURITY, AND (II) THE FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGEMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN

APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(m) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.";

(n) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a) (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(o) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB required for the issuance of Notes under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and related legislation, the Capital Markets Law and related regulations. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets, *provided that* such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through licensed banks authorised by the BRSA. As such, Turkish residents should use licensed banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through the licensed banks authorised by the BRSA.

An issuance certificate (*ihraç belgesi*) and/or a tranche issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Notes shall be prepared by, and the CMB approval thereof shall be obtained by, the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain the authorisation and approval of the CMB as necessary for the offer, sale and issue of Notes under the Programme. In particular, in order to issue any further tranche of Notes after 4 April 2020 the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 4 April 2020, if and when the aggregate nominal amount of all Notes issued and sold following 30 March 2019 under the Programme exceeds U.S.$7,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of Notes and, additionally, if and when the aggregate nominal amount of Notes issued and sold following 4 April 2019 that meet the qualifications specified in the Equity Regulation and that may be included in the calculation of equity of the Bank under the Programme exceeds U.S.$2,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of such Notes.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act 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 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented, warranted, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant, undertake and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the two preceding paragraphs have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury Regulations promulgated thereunder (the "**Code**").

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the D Rules), (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions Definitive Bearer Notes that are sold during the restricted period;

(b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section l.163-5(c)(2)(i)(D)(6) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010);

(d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf; and

(e) it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor United States Treasury regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subparagraphs (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including the D Rules.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**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**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97, 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 Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Member State**"), 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 made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision the expression "**an offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended ("**FSMA**"), by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

People's Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

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 registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which 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) whose sole purpose is to hold investments and each beneficiary of the 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 has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital

Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

The Bank is registered at the Istanbul Trade Registry under number 32736. It has its principal office at Yapı Kredi Plaza, D Blok, Levent 34330 Istanbul, Republic of Turkey. Its telephone number is +90 212 339 7011 and its website is https://yapikredi.com.tr.

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 July 2013, 4 September 2013, 27 November 2013, 10 February 2014, 26 February 2015, 25 February 2016, 22 February 2017, 26 February 2018 and 20 February 2019.

Listing of Notes

Application has been made to Euronext Dublin for Notes issued under the Programme 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 the MIFID II.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Regulated Market for the purposes of the Prospectus Regulation.

Documents Available

For the term of this Base Prospectus, copies of the following documents will be available for inspection on the website of the Company at https://www.yapikredi.com.tr/en/investor-relations/mtn-programme.

(a) the articles of association (with a certified English translation thereof) of the Issuer;

(b) the Agency Agreement, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(c) a copy of this Base Prospectus; and

(d) when published, any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Each Final Terms relating to Notes which are admitted to trading on Euronext Dublin's regulated market will also be available on the website of Euronext Dublin.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

For Notes to be issued to one or more Dealers, the price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. For Notes to be issued to one or more investors purchasing Notes directly from the Issuer, the price and the amount of the relevant Notes to be issued under the Programme will be determined by the Issuer, based on prevailing market conditions, or by agreement between the Issuer and the relevant investor(s).

Significant or Material Change

There has been no significant change in the financial performance or position of either the Bank or the Group since 30 September 2019 and no material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 2018.

Litigation

Save as disclosed on page 208 under the title "*Legal Proceedings*" of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the Group's consolidated financial position or profitability.

Independent Auditors

The BRSA Financial Statements incorporated by reference into this Base Prospectus have been audited, without qualification as of and for the years ended 31 December 2018, 31 December 2017 and 31 December 2016 in accordance with the communiqué "Independent Audit of Banks" published by the BRSA in the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of the Turkish Auditing Standards promulgated by the POA.

The Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2019 (with 30 September 2019 comparatives) and as of and for the nine month period ended 30 September 2018 incorporated by reference into this Base Prospectus have been reviewed in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". With respect to the Interim BRSA Financial Statements, PwC has reported that it applied limited procedures in accordance with professional standards for a review of such information; however, its reports state that it did not audit and does not express an opinion on such interim financial information.

See the English convenience translations of the relevant PwC and EY reports incorporated by reference herein.

EY (a member firm of Ernst & Young Global Limited) and PwC (a member firm of PricewaterhouseCoopers International Limited) are authorised by the CMB, BRSA, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standard Authority Board to conduct independent audits. The Bank's financial statements are prepared on a quarterly basis, semi-annual and annual basis in accordance with BRSA.

Due to mandatory regulatory requirements, the Bank rotated its auditors following completion of its annual audit as of and for the year ended 31 December 2016. Accordingly, the Bank appointed PwC as its independent auditor effective as of 1 January 2017 and for a term of three years.

Dealers transacting with the Issuer

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Dealers, the Arrangers and their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates, including in relation to the hedging of the Notes. Certain of the Dealers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arrangers, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Foreign Text

The language of this Base Prospectus is English. Certain legislative references and technical terms may be cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

The BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34 standards. Among the differences in accounting policies some of the most important are:

Consolidation and equity accounting

Only financial sector subsidiaries and associates are consolidated and equity accounted, respectively, under BRSA Principles, others are carried at cost or fair value.

Deferred taxation

Certain differences exist in this area. According to IAS 12, income taxes' deferred taxation is calculated based on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the relevant issuer, whereas under BRSA Principles, it is not permitted to recognise deferred tax on general loan loss provisions.

Application period for hyperinflationary accounting

Under the BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing factoring and leasing services which are subject to specific BRSA policies/requirements.

As of 1 January 2018, with the adoption of TFRS 9, the below differences between IFRS and BRSA Accounting Principles no longer exist. However, they are presented here to clarify accounting differences for loan loss provisioning of prior periods.

Specific provisioning for loan losses

BRSA provisioning for loan losses is different from IAS 39 and is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS, provision for loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Furthermore, according to BRSA, collaterals are included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralized financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General loan loss provisioning

This is required under BRSA Principles but prohibited under IFRS.

BRSA requires general loan loss provisions to be calculated over on and off balance sheet financial instruments that carry credit risk using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

ISSUER

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J.P. Morgan Securities plc
25 Bank Street
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MUFG Securities EMEA plc
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United Kingdom

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REGISTRAR

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LISTING AGENT

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CURRENT AUDITORS TO THE BANK

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B Blok
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PREVIOUS AUDITORS TO THE BANK

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