



TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

(Export Credit Bank of Turkey, Inc.)

a Turkish banking institution organised as a joint stock company

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

Global Medium Term Note Programme

Under this U.S.\$2,500,000,000 Global Medium Term Note Programme (the "Programme"), Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey, Inc.), a Turkish banking institution organised as a joint stock company under the laws of Turkey and registered with the Istanbul Trade Registry under number 845859 (the "Bank" or the "Issuer"), may from time to time issue notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "Bearer Notes" and "Registered Notes"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended) (the "Prospectus Directive"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("EU") law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of Euronext Dublin (the "Main Securities 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 (a "Member State"). Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin ("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 to trading on the Main Securities Market. References in this Base Prospectus to the Notes being "listed" (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and to trading on the Main Securities Market. When used in this Base Prospectus, the term "Prospectus Directive" includes any relevant implementing measure in a relevant member state of the European Economic Area.

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 Issuer outside of Turkey. No Tranche (as defined in "Terms and Conditions of the Notes") of the Notes can be sold before the necessary approvals and the approved issuance certificate (*ihraç belgesi*) 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 by the letter of the CMB dated 16 March 2018 and numbered 29833736-105.02.02-E.3089, and a written approval of the CMB relating to any issuance of Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or in any other form required under the applicable legislation) will be required to be obtained from the CMB before any sale and issuance of the Notes.

Under current Turkish tax law, withholding tax may apply to payments of interest on the Notes. See "Taxation – Certain Turkish Tax Considerations". Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms document (the "Final Terms") which, with respect to Notes to be listed on Euronext Dublin, will be filed with the Central Bank of Ireland. Copies of such Final Terms will also be published on the website of the Central Bank of Ireland.

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 Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and are being offered (a) for sale in the United States to qualified institutional buyers ("QIBs") as defined in Rule 144A ("Rule 144A") under the Securities Act that are also qualified purchasers ("QPs") as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance on the exemption from registration provided by Rule 144A and (b) for sale outside the United States to persons other than U.S. persons in reliance upon Regulation S ("Regulation S") under the Securities Act. Each purchaser of the Notes in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. See "Form of the Notes" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer (see "Subscription and Sale").

The Programme has been rated Ba2 (for long-term issuances) by Moody's Investors Service Limited ("Moody's"), and BB+ (for long-term issuances) and B (for short-term issuances) by Fitch Ratings Ltd. ("Fitch") and together with Moody's, the "Rating Agencies". The Issuer has also been rated by the Rating Agencies, as set out on page 14 of this Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes may either be rated (including by either of the Rating Agencies) or unrated. Where a Tranche of Notes is so rated (other than unsolicited ratings), such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme by Moody's or Fitch, 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 LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR or WIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrators of LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR and WIBOR are not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "Benchmarks Regulation"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrators of LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR and WIBOR are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

*Arranger
Citigroup
Dealers*

Bank ABC

Citigroup

Emirates NBD Capital

First Abu Dhabi Bank PJSC

ICBC London Branch

Mediobanca

Mizuho Securities

Société Générale Corporate & Investment Banking

BNP PARIBAS

Commerzbank

HSBC

ICBC Standard Bank

ING

MUFG

SMBC Nikko

Standard Chartered Bank

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

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated 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.

The Arranger, the Dealers and the Agents have not separately verified the information contained or incorporated by reference in this Base Prospectus. No representation, warranty or undertaking, express or implied is made by the Arranger, the Dealers or the Agents, or any director, officer, employee, agent or affiliate of any such person, to the accuracy or completeness of any of the information contained or incorporated by reference in this Base Prospectus, and none of the Arranger, the Dealers or the Agents accept any responsibility for any acts or omissions of the Issuer or any other person in connection with the Programme and any issue and offering of Notes. To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the Programme or any issue and offering of Notes. Each of the Arranger and the Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Prospectus or any such statement.

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Base Prospectus nor (ii) any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in Turkey, the United States, the European Economic Area (including the United Kingdom), Japan, the Kingdom of Bahrain, Hong Kong, Switzerland, Singapore and Thailand (see “*Subscription and Sale*”).

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

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State of Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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.

The Issuer obtained the CMB approval (dated 16 March 2018 and numbered 29833736-105.02.02-E.3089 (the "CMB Approval")) and the BRSA approval (dated 13 February 2018 and numbered 32521522-101.02.01[3]-E.2080) (the "BRSA Approval" and, together with the CMB Approval, the "Programme Approvals") required for the issuance of Notes under the Programme and the Undersecretariat of Treasury approval (dated 14 March 2018 and numbered 13131620-204-E.7368 (the "Treasury Approval"). In addition, the CMB introduced an amendment to the Capital Markets Law and Communiqué VII-128.8 on Debt Instruments (the "Communiqué on Debt Instruments") on 18 February 2017 pursuant to which an issuer is required, using an electronic application platform, to apply to the CMB before any issue date to obtain the CMB's approval in respect of each tranche of Notes to be issued. 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 from the CMB relating to the approval of the issue of any Notes is expected to be obtained on or before the relevant Issue Date. Consequently, the scope of the above-mentioned CMB Approval and the BRSA 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 Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "Decree 32"), the Banking Law No. 5411 (the "Banking Law") and its related legislation, the Capital Markets Law and the Communiqué on Debt Instruments or its related regulation.

In addition, the Notes may only be offered or sold outside of Turkey in accordance with the Programme Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decisions dated 6 May 2010 No. 3665 and dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira offshore on an unsolicited (reverse inquiry) basis in both the primary and secondary markets. Further, pursuant to

Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing Notes and should transfer the purchase price through licensed banks authorised under BRSA regulations. Monies paid for the purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the “SDIF”).

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the “CRA”) within three Turkish business days from the Issue Date of a Tranche of the amount, issue date, ISIN code, interest commencement date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance.

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*”, “*Business*” 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;
- loan loss reserve;
- capital adequacy;
- legal proceedings; and
- the Bank’s potential exposure to market risk.

The forward-looking statements also may 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 and these are set out under “*Risk Factors*”. 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 the geopolitical environment, including any domestic instability or developments in the conflicts in Iraq, Syria or Ukraine;
- changes in the Undersecretariat of Treasury’s policy which may impact the Bank’s mandate, priorities and objectives;
- 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, equity markets, 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 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, recruit and retain key management personnel and prevent security breaches;
- the Bank's ability to maintain adequate credit quality in the Bank's loan portfolio;
- 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 Bank's ability to manage liquidity risks, to receive periodic contributions of capital from the Treasury 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;
- the Bank's ability to obtain and maintain adequate levels of insurance; 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*" in this Base Prospectus 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.

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.

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs that are also QPs for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States or by any U.S. person is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted by the Issuer or a Dealer.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder.

Notes may be offered or sold within the United States or to, or for the account or benefit of U.S. persons only to QIBs that are also QPs in registered form and in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each purchaser of Registered Notes that is a U.S. person or is in the United States is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of notes or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

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 24 April 2018 (the “Deed Poll”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes to be transferred remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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 European Economic Area (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

2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Bank maintains its books of account and prepares its statutory financial statements in Turkish Lira in accordance with the Turkish Banking Law and the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by BRSA and other relevant rules promulgated under the Turkish Commercial Code, the CMB and tax regulations (collectively “BRSA Principles”). The statutory financial statements are provided to the BRSA in accordance with applicable regulations.

The Bank’s audited annual financial statements as at and for the years ended 31 December 2017 and 2016 (with 2015 comparatives) (the “BRSA Financial Statements”) have been prepared and presented in accordance with the BRSA Principles. 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (“KPMG”), a member of KPMG, audited and issued auditor’s reports with respect to the annual financial statements as at and for the years ended 31 December 2017 and 2016 (with 2015 comparatives).

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 the Bank is not 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 and semi-annual financial statements that have been prepared in accordance with IFRS, with the most recent such audited financial statements being the Issuer’s IFRS financial statements for the fiscal year ended 31 December 2017. 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 Bank’s IFRS financial statements are available on the Bank’s website, information in this Base Prospectus is based upon the BRSA Financial Statements, unless otherwise indicated.

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.

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. 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 or Alternative Performance Measures

To supplement the Bank’s financial statements presented in accordance with IFRS, the Bank uses certain ratios and measures included in this Base Prospectus that would also be considered a non-GAAP financial measure 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 which 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.

The ratios and measures included in this Base Prospectus that would also be considered non-GAAP financial measures in the United States, as described above, may also be considered as “alternative performance measures” (each, an “APM”) as described in the European Securities and Markets Authority (“ESMA”) Guidelines on Alternative Performance Measures (the “ESMA Guidelines”) published by the ESMA on 5 October 2015. The ESMA Guidelines provide that an APM is understood as “a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework”. The ESMA Guidelines also note that they do not apply to APMs “disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures”. References to “non-GAAP” measures below should therefore be interpreted also to include references to APMs.

For the Bank, these non-GAAP measures include:

- *average liquid assets/average total assets*: Average liquid assets and average total assets are each calculated on a monthly basis. Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale.
- *average liquid assets/average short-term liabilities*: Average liquid assets and average short-term liabilities are each calculated on a monthly basis. Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale. Short-term liabilities consists of liabilities with a maturity of less than one year.
- *return on average assets*: Return on average assets is calculated as net profit for the period divided by average total assets for the period.
- *return on average equity*: Average equity is calculated on a monthly basis. Return on average equity is calculated as net profit for the period divided by average equity for the period.
- *equity to assets ratio*: Equity to assets ratio represents average equity for the period divided by average total assets for the period.
- *average interest rate on interest-bearing liabilities (also expressed as yield on interest-bearing liabilities)*: Interest-bearing liabilities are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-bearing liabilities is calculated as interest expense for the period divided by average interest-bearing liabilities.
- *average interest rate on interest-earning assets (also expressed as yield on interest-earning assets)*: Interest-earning assets are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-earning assets is calculated as interest income for the period divided by average interest-earning assets.
- *average interest rate on net loans*: Net loans are calculated as the average of monthly balances during the applicable period. The average interest rate on net loans is calculated as interest income on net loans excluding accruals for the period divided by average net loans.
- *net interest margin*: Net interest margin is calculated as the Bank’s net interest income divided by the average balance of the Bank’s total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period.
- *net interest spread*: Net interest spread is calculated as the difference between the average interest rate on the Bank’s interest-earning assets and the average interest rate on the Bank’s interest-bearing

liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period.

- *average balance of loans*: Average balance of loans is calculated on the basis of net loans, excluding accruals.
- *average balances of assets and liabilities*: Average balances of assets and liabilities for the Bank for the years ended 31 December 2017, 2016 and 2015 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to November of the applicable year and the closing balance as at the end of the applicable period.

See “*Selected Financial Information*” below for further details.

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 or IFRS and may be different from non-GAAP measures used by other companies. They are presented only in respect of prior periods. The Bank’s management believes that this information, along with comparable BRSA measures, is useful to investors because it provides a basis for measuring the organic operating performance in the years presented. These measures are used in internal management of the Bank, along with the most directly comparable BRSA Principles financial measures, in evaluating 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 Bank may not be comparable to similarly titled amounts reported by other companies.

The Bank believes that these non-GAAP measures, when considered in conjunction with BRSA financial information presented in accordance with BRSA Principles measures, enhance investors’ and management’s overall understanding of the Bank’s current financial performance.

Currency Presentation

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”, “U.S.\$” and “\$” refer to United States dollars;
- “Sterling” and “£” refer to pounds sterling;
- “FX” refer to all currencies except TL; and
- “SDRs” refer to Special Drawing Rights, the international reserve assets created by the International Monetary Fund (the “IMF”). The U.S. dollar value of the SDR is posted daily on the IMF’s website and as at 23 April 2018 was U.S.\$1.446690.

Exchange Rate Information

For the convenience of the reader, this Base Prospectus presents translations of certain Turkish Lira amounts into Dollars at the Turkish Lira exchange rates for purchases of U.S. Dollars announced by the Central Bank (the “TL/USD exchange rate”). See “*Risk Factors— The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey’s general economy as well as the Bank’s business, financial condition, results of operations or prospects*”. No representation is made that the Turkish Lira or

U.S. Dollar amounts in this Base Prospectus could have been or could be converted into U.S. Dollars or Turkish Lira, as the case may be, at any particular rate or at all.

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

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

In this Base Prospectus, the “Bank” or the “Issuer” refers to Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey, Inc.).

In this Base Prospectus, any reference to Euroclear and/or Clearstream, Luxembourg and/or DTC (each as defined under “*Form of the Notes*”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

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

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

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

All data relating to the Turkish banking sector in this Base Prospectus have been obtained from the BRSA’s website at www.bddk.org.tr, the Banks Association of Turkey’s website at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*), and all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) (“TurkStat”) at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the “Central Bank”) at www.tcmb.gov.tr, the Turkish Treasury’s website at www.hazine.gov.tr or the European Banking Federation’s website at www.ebf.fbe.eu. Such data has been extracted from such websites without material adjustment, but may not appear in the exact same form on such websites or elsewhere. Such websites do not, and should not be deemed to constitute a part of, or be incorporated into, this Base Prospectus.

In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state

that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

Information regarding the Issuer's shareholders (including ownership levels and agreements) in this Base Prospectus has been based upon public filings and announcements by such shareholders.

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OVERVIEW OF THE BANK 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 BRSA Financial Statements. Prospective investors should see “Risk Factors” below for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

The Bank, which is organised as a joint stock company, is the official export credit agency of Turkey. As set forth in Cabinet Decree No. 2013/4286 of 28 January 2013 (the “Decree”), the Bank was organised for the purposes of “the improvement of exports, diversification of exported goods and services, causing exportation to enter into new markets, increasing share of exporters in international trade, extending them such support in their ventures as shall be necessary, providing exporters and overseas contractors with support for increasing the competitiveness and security in international markets and supporting and encouraging overseas investments and production and sale of export-oriented capital goods”. In order to advance these aims, the Bank provides loans, guarantees and insurance, principally to Turkish exporters. The Bank is wholly owned by the Turkish Undersecretariat of Treasury (the “Undersecretariat of Treasury”). The Bank’s chartering law (no. 3332) provides that the Undersecretariat of Treasury is required to cover losses incurred by the Bank in its credit, insurance and guarantee transactions arising from political risk (such as transfer restrictions, foreign exchange restrictions or war), although the Bank bears all commercial risk in connection with such transactions. The Bank operates out of its headquarters in Istanbul and eleven branches located in Ankara, Izmir, Gaziantep, Kayseri, Konya, Antalya, Bursa, Gebze, Denizli, Adana and Istanbul (European Side). The Bank also has nine liaison representative offices located in Samsun, Trabzon, Hatay, the Kemalpaşa Organised Industrial Zone, the Eskişehir Chamber of Commerce Liaison Office, the Kahramanmaraş Chamber of Commerce Liaison Office, the Aegean Region Chamber of Industry, the Manisa Organised Industrial Zone and the Çerkezköy Organized Industrial Zone. The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2018. See “— Strategy — Support diversification of export markets and products”. The Bank’s registered address is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 (216) 666 55 00.

In the year ended 31 December 2017, based on aggregate Turkish exports of U.S.\$157.0 billion (as reported by the Turkish Statistical Institute), the Bank provided financial support for 25.0 per cent. of total Turkish exports. In the year ended 31 December 2016, based on aggregate Turkish exports of U.S.\$142.5 billion (as reported by the Turkish Statistical Institute), it provided financial support for 23.1 per cent. of total Turkish exports, as compared to 21.0 per cent. of aggregate exports in the year ended 31 December 2015 based on aggregate volumes. Although there was a decline in exports in 2009 due to the global financial crisis, in the past ten years Turkish exports have grown significantly from an aggregate of U.S.\$107.3 billion in 2007 to U.S.\$157.0 billion in 2017.

The Bank provides four main export finance related products: short-term credits, medium and long-term credits, guarantees and insurance. Its most significant product is short-term loans, which as at 31 December 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). As at 31 December 2017, the Central Bank’s rediscount loans accounted for 53 per cent. of the Bank’s total loans. As at 31 December 2017, the metal sector accounted for the largest proportion by volume of the Bank’s total loans at 18 per cent., the logistics and transportation sector accounted for 15 per cent., the textile, ready to wear and leather sector accounted for 15 per cent., the wholesale trade and services sector accounted for 10 per cent., the food, agriculture and livestock sector accounted for 8 per cent., the chemicals and plastics sector accounted for 7 per cent., the

construction and construction products sector accounted for 6 per cent., the motor vehicles sector accounted for 5 per cent. and the machinery and electrical appliances sector accounted for 5 per cent. However, the Bank's strategy over the medium to long term is to shift from short-term lending to a mix of short-term and medium- and long-term lending as well as focusing on buyer credit programmes in international markets. Additionally, since 2011, the Bank has offered foreign currency options to assist Turkish exporters with managing exchange rate risks. The Bank is an important instrument in the implementation of Turkey's economic policy, which since 1980 has focused on export-led economic growth, rather than focusing on maximising profits. The Undersecretariat of Treasury as sole shareholder of the Bank can exercise its influence over the Bank through its control of the Bank's Supreme Advisory and Credit Guidance Committee and through the appointment of the Bank's Board of Directors. See "*Risk Factors—Risk factors relating to the Bank — The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs*". This Committee approves the Bank's annual programmes, as well as the Bank's general strategy, targeted annual volumes and key objectives for each year.

As at 31 December 2017, the Bank provided U.S.\$39.3 billion in financial support to the export sector, consisting of U.S.\$24.1 billion in the form of cash loans and U.S.\$15.2 billion in the form of insurance and guarantees, which is equal to 25.0 per cent. of the U.S.\$157.0 billion of total exports for 2017 (as reported by the Turkish Statistical Institute). The Bank's 2018 Annual Programme, which was approved in February 2018, sets a target for the Bank to provide approximately U.S.\$46.0 billion in financial support to the export sector through cash loans and insurance and guarantees, which, based on targeted Turkish exports of U.S.\$169.0 billion (according to the Medium-Term Programme for 2018-2020 prepared by the Turkish Ministry of Development and announced on 27 September 2017), would amount to approximately 27.2 per cent. of total Turkish exports.

The long-term debt of the Bank has been rated by Moody's since 1997 and by Fitch since 2013. On 9 March 2018, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba2 from Ba1, and the outlook changed to "stable" from "negative". On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt rating of the Bank from BBB-, with a "negative" outlook, to BB+, with a "stable" outlook.

Strengths

The Bank believes its principal strengths and competitive advantages include the following:

State-ownership and support

The Bank is wholly owned by the state of Turkey. The Undersecretariat of Treasury currently owns 100 per cent. of the Bank's shares. The rights of the Undersecretariat of Treasury as a shareholder in the Bank are contained in the articles of association of the Bank; the Bank is, and will continue to be, managed in accordance with those articles and applicable provisions of Turkish law. Additionally, the state provides support to the Bank in a variety of ways. The government has in the past regularly injected capital into the Bank, either directly to paid-in capital or to specific funds that are managed by the Bank and which are incorporated into its total equity. The most recent such capital injection was a TL 1 billion capital injection by the Undersecretariat of Treasury in March 2018. The zero cost of funding of this capital allows the Bank to provide exporters with Turkish Lira-denominated credit at below market rates. The state also provides indemnification for political risk and guarantees the ultimate recovery of losses in the case of credits granted by the Bank to certain countries deemed strategically important by the Turkish government. This has become more important as the Bank expands its international loans programme into new markets for Turkish exports. In addition, the Bank is currently exempt from corporate income tax, stamp tax and Central Bank reserve requirements. Such government support increases the Bank's competitiveness in the Turkish export finance

market and helps to maintain its well-established position as the leader in the Turkish export finance market (source: the Bank's Financial Statements and BRSA website, 2017).

Leading provider of export finance in Turkey

The Bank is the leading provider of export finance, having provided financial support for 25.0 per cent. of Turkish exports in 2017 through its export finance-related products. As the Turkish economy and exports grow, the Bank expects further opportunities to grow its loan portfolio. Since the 1980s, successive Turkish governments have focused on export-led economic growth and as Turkey's official export credit agency, the Bank has played a central role in that government policy. The Bank expects it will continue to be a major instrument for the government's policies as Turkey focuses on improving its current account balance.

Diverse range of products

The Bank's export finance-related programmes include not only export credit but also export credit insurance and international loan programmes and guarantee programmes. Through its export credit programmes, the Bank offers both short-term and medium- to long-term credit to exporters. The Bank also offers specific credit programmes for small and medium enterprises, businesses located in priority investment areas, shipbuilders and tourism companies, amongst others. The Bank is able to create tailored products to meet new demand or implement new strategies. For example, the Bank believes that, in the long term, overseas construction and investment will play an important role in increasing Turkey's foreign currency earnings, accordingly it has developed a special programme to provide assistance for the construction of department stores overseas which are also intended to support exports of consumer goods.

Strong financial position

The Bank maintains a high capital adequacy ratio, driven by the capital contributions from the Undersecretariat of Treasury and retained earnings. Under Basel II standards, the Bank's capital adequacy ratio reported to BRSA was 13.55 per cent. as at 31 December 2017, which will be further strengthened up to 1.5 per cent. by the most recent capital injection of TL 1 billion by the Undersecretariat of Treasury in March 2018. Additionally, the Bank seeks to mitigate credit risk by taking on only Turkish commercial bank risk and no exporter risk through its indirect lending programme for short-term credit, which is one of the Bank's largest programmes, and does not extend new loans unless collateralised (with a Turkish commercial bank guarantee or otherwise). The Bank also requires Turkish commercial bank guarantees under many of its direct lending programmes, resulting in a low level of impaired loans. With respect to provisioning policies, the Bank pursues a conservative approach.

Strategy

The Bank's overall strategic goal is to augment the export capacity of high quality Turkish products and services and continue to support Turkish exporters as Turkey's official export credit agency. It intends to achieve this goal by continuing to implement the following key strategies:

Substantially grow cash and non-cash lending; increase share of medium and long-term programmes

Currently, the Bank is principally engaged in providing short-term export financing to Turkish exporters. Going forward, the Bank plans to gradually change the focus of its activities to include a greater proportion of medium- and long-term cash and non-cash loan programmes and guarantees and substantially increase its overall volume of activity. In the future, the Bank plans to leave short-term export financing to commercial banks and to focus more on medium-term loan facilities, as well as guarantees and insurance activities that generate fees and commissions.

Support diversification of export markets and products

The Bank is focused on achieving product and country diversification of Turkish exports as well as increasing the share of Turkish exporters in international trade. Other objectives include developing new export markets through international loans credit and similar programmes and providing support and risk management options for Turkish exporters, investors and overseas contractors. The Bank seeks to diversify and expand its activities in order to encourage Turkish exports and economic growth as set forth in the Turkish government's economic policy. The Bank's overall volume of financial support to Turkish exporters through its credit, insurance and guarantee programmes was U.S.\$39.3 billion as at 31 December 2017. In 2018, the Bank estimates that it will provide U.S.\$46.0 billion in financial support to Turkish exporters through its credit, insurance and guarantee programmes.

The Bank is also continuing to expand its direct lending to exporters, as well as its insurance and other programmes, in order to support Turkish exporters.

Alignment with Government development strategy

The Turkish government's Medium-Term Programme for 2018-2020 seeks to ensure sustainable growth, reduce the current account deficit predominantly through foreign direct investments and improve the international investment environment, increase employment and achieve and maintain a single-digit inflation rate. The Bank's strategies take into account such goals and the Bank aims to contribute to building a positive image of Turkish products in the international markets by providing credit programmes that meet exporters' needs. The Bank also provides certain credit programmes and benefits that are targeted at assisting small and medium enterprises and government-designated priority investment regions. In addition, the Bank places importance on its International Loans Programme (a buyer's credit/guarantee scheme) with key trading partners in Asia and Africa.

Overview of the Programme

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview only relates to the terms and conditions of the Notes as set out in this Base Prospectus. Notes may be issued under the Programme in a form other than that contemplated in such conditions, and where any such Notes are to be: (a) admitted to trading on the Main Securities Market or another regulated market for the purposes of MiFID II or (b) offered to the public in the European Economic Area in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

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

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

Issuer	Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey, Inc.)
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 the purpose of assessing the market 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 these are set out under “ <i>Risk Factors</i> ”.
Description	Global Medium Term Note Programme
Arranger	Citigroup Global Markets Limited
Dealers	Arab Banking Corporation B.S.C. BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Emirates NBD Bank PJSC First Abu Dhabi Bank PJSC HSBC Bank plc ICBC Standard Bank Plc Industrial and Commercial Bank of China Limited, London Branch ING Bank N.V., London Branch Mediobanca – Banca di Credito Finanziario S.p.A. MUFG Securities EMEA plc Mizuho International plc SMBC Nikko Capital Markets Limited Société Générale Standard Chartered Bank

	and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the below restrictions applicable at the date of this Base Prospectus.
Fiscal Agent	Citibank, N.A., London Branch
Programme Size	Up to U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or (other than in the United States) public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Notes may be denominated and payments in respect of the Notes may be made in Euro, Sterling, U.S. Dollars, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer, and as set out in the conditions and specified in the applicable Final Terms. Each payment in respect of Notes denominated in Turkish Lira and held other than through DTC may be made in U.S. Dollars under Condition 7.8 if an irrevocable election to receive such payment in U.S. Dollars is made. See “ <i>Terms and Conditions of the Notes – Condition 7.8</i> ”. In the case of Notes held through DTC and denominated in a Specified Currency other than U.S. Dollars, payments will be made in U.S. Dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency. See “ <i>Terms and Conditions of the Notes – Condition 7.9</i> ”.
Maturities	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid basis and 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 either bearer or registered form

as described in “Form of the Notes”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Fixed Rate Notes

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes

Floating Rate Notes will bear interest at a rate determined:

- a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

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

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes

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

Redemption

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

Denomination of Notes	<p>the Issuer and the relevant Dealer.</p> <p>The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, 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 in circumstances which require the publication of a prospectus under the Prospectus Directive 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 as of the applicable Issue Date).</p>
Taxation	<p>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 “<i>Taxation – Certain Turkish Tax Considerations</i>” and “<i>Terms and Conditions of the Notes – Condition 9</i>”.</p>
Negative Pledge	<p>The terms of the Notes will contain a negative pledge provision as further described in Condition 4.</p>
Certain Covenants	<p>The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates.</p>
Events of Default	<p>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 “<i>Terms and Conditions of the Notes – Condition 11</i>”.</p>
Status of the Notes	<p>The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) will rank <i>pari passu</i> 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</p>

Rating	<p>the extent permitted by applicable laws relating to creditors' rights.</p> <p>The Programme has been rated Ba2 (for long-term issuances) by Moody's, and BB+ (for long-term issuances) and B (for short-term issuances) by Fitch. 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.</p>
Listing and admission to trading	<p>Application will be 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 the Official List and to trading on the Main Securities Market, however, no assurance can be given that any such application will be accepted.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p>
Governing Law	<p>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.</p> <p>The Notes and the Agency Agreement and any non contractual obligations arising out of or in connection with the Notes or the Agency Agreement are or will be (as applicable) governed by, and shall be construed in accordance with, English law.</p>
Selling Restrictions	<p>There are restrictions on the offer, sale and transfer of the Notes in Turkey, the United States, the European Economic Area (including the United Kingdom), Japan, the Kingdom of Bahrain, Hong Kong, Switzerland, Singapore and Thailand, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "<i>Subscription and Sale</i>".</p>
United States Selling Restrictions	<p>Regulation S (Category 2), Rule 144A. Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended ("the Code")) ("TEFRA D"), unless (i) the applicable terms of such Notes are issued in compliance</p>

with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the Code) (“TEFRA C”) or (ii) the Bearer Notes are issued other than in circumstances in which the Bearer Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the applicable terms of such Notes as a transaction to which TEFRA is not applicable. Such rules impose certain additional restrictions on transfers of Bearer Notes.

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 the following risks relating to the Issuer and the Notes before making an investment in the Notes. If any of the following risks actually occurs, the Bank's business, financial condition, results of operations and prospects may be materially and adversely affected and 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.

Risk factors relating to the Bank

The Bank is entirely state-owned and is subject to government control

The Bank is entirely state-owned and is subject to government control, and the Turkish government's interests may conflict with the interests of Noteholders.

The Bank is 100 per cent. owned by Turkey through the Turkish Undersecretariat of Treasury. The interests of the Turkish government and the Undersecretariat of Treasury may differ from those of the Noteholders and there can be no assurance that the Undersecretariat of Treasury's policies and decisions regarding the Bank will not negatively affect the Noteholders. In particular, the Bank is an instrument of Turkish government policy as Turkey's official export credit agency, rather than being primarily a profit-oriented institution. See "*Business — Ownership and Capital Structure*". The Bank has been mandated to support foreign trade and Turkish investors operating overseas; certain of the other principal strategies of the Bank are determined by Turkey's priorities, such as supporting companies in priority development regions and small and medium enterprises. Moreover, although the Bank has not experienced pressure from the Undersecretariat of Treasury to date to conduct transactions upon more favourable terms with Turkish state-owned or state-controlled legal entities or to deviate from its credit and lending policies and procedures, there can be no assurance that the Bank will not be directed or come under pressure to engage in activities with a lower profit margin than it would otherwise pursue or to provide financing to certain companies or entities on favourable or non-market terms. Any such strategies or actions may not necessarily be the same as those pursued by an independent profit-oriented institution.

Furthermore, the Bank has in the past been supported by capital contributions from the Undersecretariat of Treasury. Most recently, the Bank received a capital injection of TL 1 billion from the Undersecretariat of Treasury in March 2018. Such contributions are subject to the budgeting process of the Turkish government and may be subject to delay as a result of the government appropriation cycle, the fiscal situation of the Turkish government or other political developments. See "*— The Bank relies on periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs*". Moreover, the Bank's credit rating is directly correlated with the rating of the Turkish sovereign and any change in the sovereign credit rating is likely to have a direct impact on the Bank's credit rating and cost of borrowing, which would also impact its capital adequacy ratio. See "*— Risk factors relating to Turkey — A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating*".

The Bank has substantial credit exposure to financial institutions in Turkey

The Bank's total loans net of loan loss provisions were TL 80.3 billion, or 94 per cent. of its total assets, as at 31 December 2017. Substantially all of these loans and advances were made to exporters and financial intermediaries located in Turkey. As at 31 December 2017, 11 per cent. of the Bank's total loans were extended to Turkish commercial banks, primarily through the Bank's indirect lending under export credit

programmes. The Bank's indirect lending programmes operate through 34 of Turkey's 52 banks (including participation banks), which in turn on-lend to Turkish exporters, who are required to comply with lending criteria established by the Bank. A majority of this exposure is concentrated with the largest public and private commercial banks in Turkey. The commercial banks to which the Bank has lent money typically bear the default risk of the underlying exporters. See "*Business — Banking Activities — Short-Term Export Credits—Indirect Lending*" for a description of the Bank's indirect lending programmes. As at 31 December 2017, the ten largest borrowers of the Bank (measured by the amount of credit exposure under cash loans) represented 15 per cent. of the Bank's loan portfolio. The profitability of many Turkish banks has been negatively affected in recent years, particularly in the short-term and possibly in the long-term, as a result of a number of factors that generally impact the Turkish banking sector. Such factors include the contraction of interest margins, higher reserve requirements, increased volatility due to domestic political uncertainty increasing other operating expenses and increased competition among institutions.

The Bank also lends directly to Turkish exporters through its short-term export credit direct lending programmes (see "*Business — Banking Activities — Short-Term Export Credits — Direct Lending*") and through its medium- and long-term loans programmes (see "*Business — Banking Activities — Medium- and Long-Term Export Credits*"). As at 31 December 2017, direct lending accounted for 89 per cent. of the Bank's total loans. The Bank requires Turkish commercial bank guarantees under many of its direct lending programmes. In particular, all short-term credit provided directly by the Bank is 100 per cent. secured, principally by Turkish commercial bank guarantees. As a result, the Bank is also exposed to Turkish commercial banks in relation to a substantial portion of its direct lending portfolio, although the proportion of direct lending extended without guarantees by Turkish commercial banks in the Bank's loan portfolio is expected to increase in future periods. The Bank continues to focus on expanding its direct lending to exporters. See "*— The Bank may face increased risks as it continues to shift its focus towards direct lending*".

The Bank's total loans have expanded significantly from TL 43.2 billion as at 31 December 2015 to TL 61.6 billion as at 31 December 2016 and TL 80.3 billion as at 31 December 2017. While the Bank continued to maintain its credit quality during these periods, with the absolute amounts of impaired loans and the proportion of impaired loans to gross loans in the Bank's loan portfolio remaining stable, there can be no assurance that the Bank will be able to maintain adequate credit quality in the future.

Given the Bank's indirect lending activities through Turkish commercial banks and the dependence on Turkish commercial bank guarantees through the Bank's direct lending programmes, a downgrade of the Republic of Turkey's credit rating could also adversely affect the credit rating of Turkish banks, which could, in turn, adversely affect the Bank's credit risk. See "*— Risk Factors relating to Turkey — A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating*".

As a result of the foregoing factors, the Bank's business significantly depends upon the ability of Turkish commercial banks and other financial institutions as well as exporters to which the Bank lends to make payments and meet their other obligations, which in turn are materially impacted by the strength of the Turkish economy and financial and banking sector, as well as political stability in Turkey. See "*— Risk factors relating to Turkey*" below. In particular, Turkey is located in a region that has been subject to ongoing political and security concerns which have increased in recent years, including but not limited to the attempted military coup in Turkey in July 2016. Any such negative developments could have a material impact on economic conditions in Turkey generally. See "*— Risk Factors relating to Turkey — Political developments in Turkey may have a material adverse effect on the Bank's business*" and "*— Risk Factors relating to Turkey — The attempted military coup in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

Any negative development within the Turkish banking sector, economy or political system could adversely affect the Bank's strategy and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's business depends on demand for Turkish exports, which are concentrated by region and sector

As Turkey's export credit agency, the Bank supports Turkish exporters, contractors and investors through various credit, guarantee and insurance programmes, the majority of which are short-term (with 62 per cent. of the Bank's total loans as at 31 December 2017 having an initial term of one year or less). Accordingly, the Bank's business and growth prospects significantly depend on demand for Turkish exports. Adverse changes in the general level of Turkish exports would affect demand for the Bank's products and services, and reduce the size of the Bank's loan portfolio.

The business sector and geographic distribution of the loans extended by the Bank are closely related to the composition of Turkish exports, and the Bank's loan portfolio relates to exports concentrated in certain countries and sectors. As at 31 December 2017, 50 per cent. of the Bank's credits related to exports to the European Union, 4 per cent. to other European countries, 13 per cent. to the Middle East and North Africa, 7 per cent. to the United States and Canada combined and 26 per cent. to other countries. As at 31 December 2017, the metal sector accounted for the largest proportion by volume of the Bank's total loans at 18 per cent., the logistics and transportation sector accounted for 15 per cent., the textile, ready to wear and leather sector accounted for 15 per cent., the wholesale trade and services sector accounted for 10 per cent., the food, agriculture and livestock sector accounted for 8 per cent., the chemicals and plastics sector accounted for 7 per cent., the construction and construction products sector accounted for 6 per cent., the motor vehicles sector accounted for 5 per cent. and the machinery and electrical appliances sector accounted for 5 per cent.

The recovery in many of Turkey's principal markets for goods and services remains extremely fragile; see "*— The Bank's business is subject to macroeconomic and financial market conditions*". Any deterioration of the political and economic conditions in these countries, particularly in the European Union and especially Germany, or a downturn in any of the key sectors mentioned above, individually or in the aggregate, may adversely affect the general demand for Turkish exports and the financial condition of the companies operating in such sectors, and may result in, among other things, a decrease in loans to exporters, defaults on their obligations owed to the Bank or a need for the Bank to increase provisions in respect of such loans, any of which could have an adverse effect on the Bank's business, financial condition and results of operations.

The Bank's business is subject to macroeconomic and financial market conditions

Economic conditions in Turkey and globally have a significant impact on the level of Turkish exports and the Bank's performance. Although Turkey has experienced gross domestic product ("GDP") growth each year since 2010, there can be no assurance that trends in growth and exports will continue in light of global and local macroeconomic conditions. In 2016, Turkish GDP grew by 3.2 per cent. and exports decreased marginally, following a 9 per cent. decrease in exports in 2015 as a result of adverse economic conditions, which affected import volumes in certain target markets, including the European Union. Although Turkey's GDP grew at a rate of 7.4 per cent. in 2017 and exports in 2017 surpassed the target of \$156.5 billion set by the Medium-Term Programme prepared by the Turkish Ministry of Development, any future reduction in the level of Turkish exports or difficult macroeconomic or financial market conditions could adversely affect the Bank's business, financial condition and results of operations.

In September 2017, the Turkish government announced a new three-year medium-term economic programme from 2018 to 2020. As part of the programme, the Turkish government estimated that GDP would grow by 5.5 per cent. in 2018 and set a growth target of 5.5 per cent. for each of 2019 and 2020. The targets set out in Turkey's medium-term economic programme may be revised further. Moreover, there can

be no assurance that the Turkish government will implement its current and proposed economic and fiscal policies successfully.

Furthermore, the Central Bank has from time to time in recent years, due to a number of factors, including higher domestic inflation, the widening current account deficit and other structural imbalances, sought to tighten monetary policy using various policy tools, including increasing reserve requirements, widening the interest rate floor and ceiling and increasing reserve requirement ratios. Since 2013, the Central Bank has taken measures to support financial stability through an asymmetric interest rate floor and ceiling approach to adjust liquidity in the market. Further tightening of monetary policy could adversely affect the Turkish economy and banking sector, which in turn could adversely affect the Bank's business, financial condition and results of operations. More recently, following a sharp depreciation in and continued volatility of the Turkish Lira that began in late 2016, the Central Bank has strengthened its tight monetary policy stance by increasing rates, with the Central Bank's average funding rate being 12.75 per cent as at 16 January 2018, compared to 8.3 per cent. at the beginning of 2017. The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey.

Turkey's growth may also be negatively impacted by monetary policy in the United States. The United States Federal Reserve raised interest rates in December 2015 for the first time since the financial crisis. It subsequently raised interest rates by 0.25 per cent. in each of December 2016, March 2017, June 2017, December 2017 and March 2018 and has indicated that it may continue gradually to increase interest rates depending on economic conditions. Tighter monetary policy in the United States may result in reductions in global liquidity, decreases in fund flows to emerging markets and continuing volatility in the markets.

Furthermore, in recent years, political instability has increased markedly in a number of other countries in the Middle East and North Africa, such as Iraq, Syria, Libya, Yemen, Egypt, Bahrain and Qatar. In particular, as a result of the civil war in Syria and political and security developments in Iraq, an increased number of refugees are fleeing to Turkey. See "*— Risk factors relating to Turkey — Turkey and its economy are subject to external and internal unrest and the threat of terrorism*". Turmoil in Iraq, which is Turkey's third largest trading partner (in terms of exports), and Syria has negatively impacted the transport of Turkish exports to these countries and on transit routes through these countries to other regions in the Middle East. In addition, in June 2017, Saudi Arabia, Egypt, Bahrain, the United Arab Emirates (the "UAE") and Yemen cut diplomatic ties with Qatar and imposed land, sea and air blockades, accusing Qatar of supporting terrorism. The Maldives and Libya's eastern-based government later followed suit. Although the Bank does not expect that the events related to Qatar will have a direct impact on the Bank, there is continuing uncertainty as to how the events relating to Qatar will develop or how the situation may impact Turkey, the region or emerging markets generally.

In November 2015, tensions with Russia increased due to Turkey's downing of a Russian combat aircraft near Turkey's border with Syria. In January 2016, Russia implemented economic sanctions against Turkey primarily aimed at Turkey's agriculture, tourism and construction sectors. However, on 30 June 2016, Russian President Vladimir Putin signed a decree lifting the ban on the sale of package tourism tours to Turkey and ordered the Russian government to allow charter flights to start flying to Turkey again. In 2017, diplomatic and economic relations between Turkey and Russia began to normalise and most of the sanctions were lifted following diplomatic talks and international political developments. However, there can be no assurance that such developments will result in a full normalisation of relations between Russia and Turkey.

Should the situation in these countries worsen or continue into the longer term, Turkish exports could be adversely affected, which could, in turn, have an adverse effect on the Bank's business, financial condition and results of operations. Unrest in these countries may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey, and towards securities originating in Turkey. There can be no assurance that the disturbances will not have political repercussions within Turkey. The situation may therefore have a negative impact on the

Turkish economy and the level of Turkish exports, which could in turn adversely affect the Bank's business, financial condition and results of operations.

Furthermore, there are a number of uncertainties arising in connection with the United Kingdom's vote to leave the EU and the negotiations related to such withdrawal, although the Bank expects the impact of the United Kingdom's departure from the EU on the Bank's own operations to be limited. More recently, political tensions have arisen between Turkey and certain EU member states, including Germany and the Netherlands. In particular, in March 2017, the Dutch government barred Turkish ministers from attending rallies in the Netherlands on the basis that Turkish ministers had illegally campaigned in the Netherlands in favour of the April 2017 referendum on constitutional changes. Turkey subsequently suspended high-level diplomatic ties with the Netherlands. While the long-term impact of these events on Turkey's economic and geopolitical circumstances is unpredictable, as the Netherlands is the sixth largest economy in the EU and is the largest source of foreign investment in Turkey, any further negative escalation of relations between Turkey and the Netherlands could have a material adverse effect on the Turkish economy, which in turn could have a material adverse effect on the Bank. Given the strong economic and trade ties between Turkey and the EU, continued weakness in or material deterioration of the EU economy could have an adverse effect on Turkey's economy and the Bank's business, financial condition and results of operations.

The Bank and its customers operating in Turkey continue to remain vulnerable to other external financial and economic factors. These factors could have a material adverse impact on financial markets and economic conditions throughout the world and, in turn, the market's anticipation of these impacts could have an adverse effect on the Bank's business, financial condition and liquidity. In particular, these factors could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. The Bank's performance will continue to be influenced by conditions in the global economy.

The Bank relies on periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs

The Bank has since its inception received and may in the future continue to receive periodic contributions of capital and certain other transfers of monies from the Treasury in order to support its activities, maintain its capital adequacy and meet its funding needs. See "Capitalisation". As the sole shareholder of the Bank, the Treasury has made capital contributions to the Bank, and direct funding from the Treasury through capital increases and transfers from extra-budgetary funds have been the main sources of funding for the Bank (together with borrowings from the Central Bank, commercial banks and international financial markets). In total, the Bank has received U.S.\$2.23 billion (TL 5.49 billion) in capital contributions from the Treasury since 2006. The most recent capital contribution from the Treasury, which amounted to TL 1 billion, was received March 2018. Any capital contribution from the Treasury must be included within the proposed budget for the following year and the amount is only paid out to the Bank after the budget is approved. Budget proposals are prepared and submitted by the various government institutions in July of each year (for some institutions, proposals are submitted by September). The proposals are then evaluated and finalised by the Ministry of Development and Budget and Financial Control General Directorate and are submitted to the Council of Ministers. Final budget proposals are submitted to the Turkish Parliament by the Council of Ministers and then ratified by the General Assembly of the Turkish Parliament by the end of December. Therefore, there can be significant delays before the Bank receives planned capital contributions and such contributions are subject to any delays or other issues in the Turkish budgeting process. Moreover, historically, the Bank has only paid the Treasury the minimum statutorily mandated dividend payments; however, there can be no assurance that the dividends paid may not increase in the future through increases in statutory minimum requirements or otherwise.

In addition, the Treasury provides indemnification for certain political risks in relation to the Bank's insurance and loan programmes, particularly its International Loans Programme, which provides credit to overseas buyers, and the Treasury covers the total income loss for concessional credit given to countries

that the government has deemed strategically important to Turkey. See “*Business — Banking Activities — Insurance*” and “*Business — Banking Activities — Medium- and Long-Term Export Credits — International Loans Programme*”. Indemnification for such political risks or loss is subject to delays because payment of any such amounts is subject to the Turkish state budgeting process. Accordingly, payment of these amounts may be subject to substantial delays and, although payment of such claimed amounts has not been disputed in the past, there can be no assurance this will be the case in the future, particularly as the Bank continues to expand its medium-term lending and international loans programme. The Bank also seeks to further mitigate these risks through the purchase of reinsurance from commercial reinsurers, although there can be no assurance that all political risks will be fully covered. The Turkish state does not provide indemnification to the Bank for commercial risks and these risks are fully borne by the Bank (see “— *The Bank is subject to credit risk from its reinsurers and may have difficulty obtaining reinsurance on commercially acceptable terms*”).

The delay or failure of the Treasury to meet its funding commitments or political risk indemnification and other obligations when they arise could have an adverse impact on the Bank’s short-term liquidity and its capital adequacy ratio and could limit its ability to grow its loan portfolio, which could in turn have an adverse effect on its business, financial condition, results of operations and prospects.

Any future unavailability of capital markets and loan financing could have an adverse effect on the Bank’s business, financial condition and results of operations

In addition to the capital contributions and other monies received from the Treasury, the Bank has relied on third party financing, including financing from syndicated and bilateral loans (including from the World Bank and the European Investment Bank), the Central Bank and from the issuance of notes and other debt securities, including in the international capital markets, with U.S.\$2.75 billion of issuances since 2012. The Bank expects to continue to depend on such financing in the future as it seeks to expand its medium- and long-term lending. As at 31 December 2017, total borrowings constituted 79 per cent. of the Bank’s total liabilities. The Bank obtains funding from the Central Bank, which increased from TL 22,589 million as at 31 December 2015 to TL 32,184 million as at 31 December 2016 and to TL 42,024 million as at 31 December 2017. There can be no assurance that capital markets or loan financing will continue to be available to the Bank or that these funding sources will be available on commercially reasonable terms. As discussed under “—*The Bank’s business is subject to macroeconomic and financial market conditions*”, the global financial system and emerging market economies in particular remain subject to systemic shocks that can result in substantially eroded liquidity and increased costs of capital markets funding. Particularly in light of the volatility in the demand for emerging market debt, the Bank may have difficulty extending and/or refinancing its existing indebtedness. If at some point in the future, further bond issuances are not possible on commercially acceptable terms or at all and/or syndicated and bilateral loan financing become unavailable, this could have an adverse effect on the Bank’s business, financial condition, results of operations and prospects.

Fluctuations in foreign exchange rates, to the extent they are not adequately hedged against, may adversely affect the Bank’s business, financial condition and results of operations

A significant percentage of the Bank’s assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As at 31 December 2017, 87 per cent. of the Bank’s total assets and 93 per cent. of the Bank’s total liabilities were denominated in foreign currencies, principally the U.S. Dollar and Euro. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realised upon the sale of such assets, to Turkish Lira in preparing its financial statements. Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As a result, the Bank’s

reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies (primarily the U.S. Dollar and Euro).

The overall effect of exchange rate movements on the Bank's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against other currencies in which the Bank transacts or has monetary assets and liabilities (primarily the U.S. Dollar and the Euro). The Turkish Lira has been depreciating against the U.S. Dollar, having depreciated by 20.7 per cent. and 11.1 per cent. on a nominal basis during 2016 and 2017, respectively. The Bank has a policy to hold foreign currency asset and liability items together with derivatives to hedge against foreign currency risk. For the year ended 31 December 2017, the Bank recorded a net foreign exchange gain of TL 402.6 million, compared to a net foreign exchange loss of TL 1,000.6 million for the year ended 31 December 2016. As at 31 December 2017, a hypothetical depreciation of the Turkish Lira by 10 per cent. against other currencies (holding all other variables constant) would have had a positive TL 7.1 million impact on the net profit of the Bank for the year ended 31 December 2017, while a hypothetical appreciation of the Turkish Lira by 10 per cent. against other currencies (holding all other variables constant) would have had a negative impact on net interest income for that period of the same amount, in each case taking into account the effect of foreign exchange related derivatives.

Moreover, as occurred in the Turkish banking crisis in 2001, any rapid depreciation of the Turkish Lira against major international currencies may make it more difficult for Turkish borrowers to repay their foreign currency-denominated loans. More recently, on 21 July 2016 the U.S. Dollar to Turkish Lira exchange rate was U.S.\$1 to TL 3.07. By 18 August 2016, following the attempted military coup, the exchange rate was U.S.\$1 to TL 2.92 (a decrease of 4.89 per cent.). As at 31 December 2017, the exchange rate was U.S.\$1 to TL 3.7603.

Although the Bank has adopted procedures and policies aimed at minimising foreign exchange risks (see "*Risk Management — Currency Risk*"), these measures may not adequately protect the Bank's business, financial condition and results of operations from the effect of exchange rate fluctuations or may limit any benefit that the Bank might otherwise receive from favourable movements in exchange rates.

The Bank may face increased risks as it continues to shift its focus towards direct lending

Although historically, the Bank's lending activities were focused on indirect lending, over the past several years, the Bank has gradually increased the share of direct lending to exporters in its loan portfolio. As at 31 December 2017, direct lending accounted for 89 per cent. of the Bank's total loans, compared to 53 per cent. as at 31 December 2016. This increase has mainly been due to the increasing volume of rediscount credits in the Bank's loan portfolio. The Bank is continuing to expand its direct lending to exporters. The Bank requires Turkish commercial bank guarantees under many of its direct lending programmes. In particular, all short-term credit provided directly by the Bank is 100 per cent. secured, principally by Turkish commercial bank guarantees. However, the proportion of direct lending extended without guarantees by Turkish commercial banks in the Bank's loan portfolio is expected to increase in future periods, although this increase is expected to be gradual and in instances where a commercial bank guarantee is not provided, this will be replaced by other forms of collateral in accordance with the banking principles prevailing in the Turkish banking system under the supervision of the BRSA. The Bank's credit risk may nonetheless increase by virtue of its exposure directly to exporters rather than Turkish commercial banks. See "*— The Bank has substantial credit exposure to financial institutions in Turkey*" for further detail on the Bank's exposure to Turkish commercial banks.

The increased focus on direct lending has also entailed a shift in the Bank's personnel, IT and risk management strategies. While the Bank believes that it has sufficient resources to manage any increased credit, risk management or other operational risks arising from its increased focus on direct lending, any failure to manage these risks in the future may negatively affect the Bank's credit quality or its business, financial condition and results of operations.

The Bank may face increased risks as it focuses more on medium- and long-term lending and its International Loans Programme

The Bank's most significant product is short-term loans, which as at 31 December 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). However, the Bank intends to continue to shift its lending from primarily short-term lending to increased amounts of medium- and long-term lending. Additionally, the Bank is seeking to grow its International Loans Programme, which provides credit to buyers of Turkish exports located outside of Turkey. The Bank's successful execution of this strategy, which will involve increased risk, depends upon a number of factors, including:

- its ability to expand or enhance existing risk management, information processing, technology and other operational infrastructures effectively and efficiently;
- its ability to identify and manage additional overseas risk exposure relating to new or heightened geographic, political and economic factors resulting from the expansion of its International Loans Programme;
- its ability to manage the liquidity and capital requirements associated with growth in its medium- and long-term loan portfolio and the increase in off balance sheet liabilities stemming from growth in insurance and guarantee activities; and
- its ability to attract customers to its medium- and long-term credit programmes.

Although the Bank currently has in place initiatives intended to address these factors, any failure to execute these initiatives successfully could adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to credit risk from its reinsurers and may have difficulty obtaining reinsurance on commercially acceptable terms

Under its export credit insurance programmes, the Bank provides insurance to customers for up to 90 per cent. of the value of export receivables for losses due to commercial and political risk. The Bank reinsures 60 per cent. of the commercial risk and, in the case of exports to countries that are not OECD members, 60 per cent. of the political risk (within specific country limits agreed with reinsurance counterparties). This reinsurance arrangement enables the Bank to manage its risks on individual policies. As at 31 December 2017, the total value underlying the insurance policies transferred by the Bank to reinsurance companies was U.S.\$2.5 billion. The reinsurance arrangement does not discharge the Bank from primary liability to the insured, and the Bank is required to discharge its liability to the insured even if the reinsurer is unable to meet its obligations under the reinsurance arrangements. Reinsurance arrangements also decrease premiums retained by the Bank since it pays the reinsuring company a portion of total premiums based upon the amount of the liability which is reinsured. The Bank's inability to procure reinsurance or any failure by one or more reinsurance counterparties to fulfil their obligations to make payments under reinsurance arrangements could adversely affect the Bank's business, financial condition and results of operations.

The Bank faces competition from Turkish commercial banks and other financial services companies

The Bank competes for customers with other financial services companies, particularly local commercial banks, in the short-term lending market. It also competes with foreign insurance companies offering export credit insurance and with other export-import agencies in the overseas buyer's credit market. The Turkish banking sector is highly competitive and dominated by a small number of banks. As at 31 December 2017, 47 banks (including domestic and foreign banks, but excluding the Central Bank) were operating in Turkey (excluding participation banks), according to BRSA. According to the Banks Association of Turkey, as at 30 September 2017, the five largest banks in Turkey held approximately 55 per cent. of the banking sector's

total loan portfolio and approximately 56.4 per cent. of the total bank assets in Turkey (excluding participation banks). Foreign banks have shown an increased interest in the banking sector in Turkey, with some acquiring interests in Turkish banks, while foreign insurance companies and export credit agencies have started offering insurance products, including export credit insurance, in Turkey. There can be no assurance that the Bank will be able to effectively compete.

In addition, Turkish banks have traditionally held a significant proportion of their assets in Turkish government securities. From 2008 through 2014, interest rates in Turkey declined substantially and demand for credit grew, which made holding government bonds a relatively less profitable strategy. As a result, banks shifted assets and demand for credit shifted towards higher-yielding assets, such as loans to customers. This resulted in increased competition for customers. Although the Central Bank began raising interest rates in 2014 and again in 2017 to combat inflation and currency volatility, competition remained intense in the Turkish banking sector. There can be no assurance that further competitive pressures will not result in continued margin compression, downward pressure on interest income and upward pressure on marketing and other promotional costs, which could adversely affect the Bank's business, financial condition and results of operations.

The loss of certain support that the Bank currently receives from the Turkish government, such as tax exemptions, may affect the Bank's profitability

The Turkish government currently provides support to the Bank in a variety of ways. In addition to receiving capital contributions, the Bank is currently exempt from corporate income tax as a state-owned enterprise pursuant to Article 4 of Law No. 3332. The Bank is also exempt from certain Central Bank reserve requirements and is not required to hold provisions by the BRSA. However, there can be no assurance that such measures will continue. Any loss of government support for the Bank as a result of any future changes to policy, laws and regulations could adversely affect the Bank's business, financial condition and results of operation.

The Bank may be adversely affected by liquidity risk

Liquidity risk comprises uncertainties in relation to the Bank's ability to access funding necessary to cover obligations to borrowers, satisfy maturing liabilities and satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Bank's liabilities reasonably in line with those of its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. As at 31 December 2017 and 2016, the Bank maintained a positive liquidity gap for maturities (by group) that are up to (i) one month, (ii) three months to one year and (iii) one year to five years, while the total net liquidity gap as at 31 December 2017 and 2016 (which includes those over five years and those with no maturity) was also positive. See "*Risk Management — Liquidity Risk*". The Bank's principal sources of funding are capital contributions and other transfers from the Treasury, loans from domestic and international banks, borrowings from the Central Bank, and monies received from the issuance of notes and other debt securities (including in the international capital markets). Unlike most commercial banks, the Bank does not accept any retail or corporate deposits.

Due to the Bank's policy orientation and mandate to facilitate and encourage loans for Turkish exporters, the Bank historically has had a high proportion of assets held in loans (94 per cent. of the Bank's assets were loans as at 31 December 2017), and the Bank's principal liquidity source consists of short-term loans. The average remaining maturity of the Bank's loan portfolio as at 31 December 2017 and 31 December 2016 was 385 days and 461 days, respectively. As at 31 December 2017 and 31 December 2016, the average remaining maturity of the Bank's funds borrowed, along with the Existing Notes (as defined below) and interbank money market deposits, was 568 and 574 days, respectively. As at 31 December 2017, the Bank's average liquid assets/average total assets ratio was 4.2 per cent. and its average liquid assets/average short-term liabilities ratio was 7.2 per cent. See "*Risk Management — Liquidity Risk*". The

Bank may be exposed to maturity mismatches between its assets and liabilities (including currency mismatch), which may lead to a lack of liquidity at certain times. In the event of liquidity gaps, access to other funding sources, such as capital infusions from the Treasury, Central Bank repos or the capital markets, may not be available, or may be available only following delays and/or at higher cost, or such funding sources may be less advantageous to the Bank in other respects. The Bank's liquidity risk could be increased by market disruptions or credit downgrades of the Bank or of the Republic of Turkey or budgetary constraints of the Republic of Turkey, which may reduce the availability of funding. The Bank's inability to meet its net funding requirements due to inadequate liquidity could adversely affect its business, financial condition and results of operations.

The Bank may be negatively affected by volatility in interest rates

Net interest income represents a substantial proportion of the Bank's operating profit before operating expense. Net interest income contributed 108 per cent., 127 per cent. and 101 per cent. of total operating profit for the years ended 31 December 2017, 2016 and 2015, respectively. The Bank's high dependence on net interest income may affect the stability of its earnings in time of high interest rate volatility. As at 31 December 2017, the effect of a hypothetical 5 per cent. increase in Turkish Lira interest rates, with all other variables held constant, would have been a TL 105 million decrease in net profit for the year ended 31 December 2017, and the effect of a hypothetical 4 per cent. decrease in Turkish Lira interest rates, with all other variables held constant, would have been a TL 90 million increase in net profit for the period. As at 31 December 2017, the effect of a hypothetical 2 per cent. increase in Euro and U.S. Dollar interest rates, with all other variables held constant, would have been a TL 38 million decrease and a TL 155 million increase, respectively, in net profit for the year ended 31 December 2017. The effect of a hypothetical 2 per cent. decrease in Euro and U.S. Dollar interest rates, with all other variables held constant, would have been a TL 8 million increase and a TL 166 million decrease, respectively, in net profit for the period.

Fluctuations in interest rates can adversely affect the Bank's net interest income in a number of different ways. The interest rates charged by the Bank for all loans denominated in Turkish Lira (except for the floating interest rate loans under the Bridge Credit Programme for Overseas Contractor Services, the Shipbuilding Finance and Guarantee Programme, the Credit Programme for Foreign Currency Earning Services and the Overseas Chain Stores Investment Credit Programme), and for loans with maturities of six months or less under its foreign currency-denominated loan programmes, are fixed rates, determined prior to issuance depending upon the maturity of the loans, the loan amounts and other factors, while the Bank charges floating rates on its foreign currency-denominated loans with maturities of more than six months. As at 31 December 2017, 2016 and 2015, 48 per cent., 59 per cent. and 60 per cent., respectively, of the Bank's loans were at fixed rates. In decreasing interest rate environments, the Bank's credit products may become relatively less attractive to customers as the pricing differential becomes smaller between the Bank's Turkish Lira loans (which are generally set based on a margin that seeks to cover the Bank's operating expenses over its zero cost capital base) and credit products offered by commercial banks (who typically benefit from a lower cost of funding in a low interest rate environment). An increase in interest rates would generally decrease the value of the Bank's fixed rate loans and, since the Bank borrows from various Turkish commercial banks and other international financial institutions to fund its lending activities, any such increase may raise the Bank's funding costs. An increase in interest rates could also decrease the value of fixed rate debt securities in the Bank's securities portfolio. In addition, an increase in interest rates may increase the risk of customer default (whether directly through exporters and the Bank's lending programmes or indirectly through the impact on the Bank's significant base of Turkish commercial bank intermediaries), while general volatility in interest rates may result in a gap between the Bank's interest-rate sensitive assets and liabilities. As a result, the Bank may incur additional costs and expose itself to other risks by adjusting such asset and liability positions. Interest rates are highly sensitive to many factors beyond the Bank's control, including the monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors.

Although the Bank uses various instruments and measures to manage exposure to interest rate risk (see “*Risk Management — Interest Rate Risk*”), there can be no assurance that these instruments and measures will fully protect the Bank from the negative effects of interest rate fluctuations. Further changes in market interest rates could affect the interest rates earned on interest-earning assets differently, leading to a reduction in the Bank’s net interest income and having an adverse effect on its business, financial condition and results of operations.

The Bank has a portfolio of Turkish sovereign debt and any decrease in the value of these securities could adversely affect the Bank, particularly if economic conditions deteriorate

The Bank’s financial condition and results of operations are affected by changes in the market value of its securities portfolio. The Bank maintains a securities portfolio which primarily consists of held-to-maturity securities and trading securities, made up of Turkish government bonds. Interest income derived from the Bank’s marketable securities portfolio amounted to TL 21.4 million for the year ended 31 December 2017, accounting for 1 per cent. of total interest income for the year, and amounted to TL 24.9 million for the year, accounting for 1 per cent. of total interest income for the year ended 31 December 2016. The Bank’s income from securities operations depends on numerous factors, some of which are beyond its control, including overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. Although the Bank monitors closely its securities portfolio and securities transactions to manage its market risk (see “*Risk Management — Market Risk*”), market price fluctuations affecting the Bank’s government bonds and treasury bills may adversely affect the value of the Bank’s securities portfolio. In addition to any direct losses that the Bank might incur, a default by the Turkish government in making payments on its debt securities would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would also have an adverse effect on the Bank’s business, financial condition, results of operations and prospects.

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

The Bank’s business is subject to inherent risks in relation to the credit quality of borrowers, purchasers of exported items and contractual counterparties, including derivative counterparties and reinsurers. Changes in the credit quality of the companies, banks and other financial institutions to which the Bank lends, or to whose credit the Bank is exposed under export credit insurance products, or in the credit quality of the Bank’s counterparties, could negatively affect the value of the Bank’s assets and lead to increased write downs and provisions for loan impairment. The Bank has been increasing its direct lending to exporters, which has increased its direct exposure to exporters and may, in turn, increase the Bank’s credit risk. See “— *The Bank may face increased risks as it continues to shift its focus towards direct lending*”. Any failure by the Bank to manage the growth and credit quality of its loan portfolio within prudent risk parameters, or to monitor and regulate the adequacy of its provisioning levels, could have an adverse effect on the Bank’s business, financial condition and results of operations.

Many factors affect customers’ ability to repay their loans or other obligations to the Bank. Some of these factors, including adverse changes in the economy and foreign trade due to local, national and global factors, foreign exchange rates and increased market volatility, may be difficult to anticipate and are outside of the Bank’s control. Other factors are dependent on the Bank’s growth strategy (including tenor, currency, jurisdictions and sector focus) and the strength of the Bank’s internal credit application and monitoring systems. See “— *Operational problems or errors could have a material adverse impact on the Bank’s business, financial condition and results of operations*” and “— *The Bank’s performance depends on the reliability and capacity of its information technology systems*”. The Bank is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under derivative financial instruments. Exposure to any of these credit risks could have an adverse effect on the Bank’s business, financial condition and results of operations.

The Bank's allowances for credit losses could prove inadequate to cover credit losses related to its loans and contingencies

Determining the appropriate level of allowances for credit losses necessarily requires exercise of judgment, including assumptions and estimates made in the context of changing political and economic conditions in the regions and sectors to which the Bank lends, in particular in the financial and banking sector in Turkey. See “— *The Bank has substantial credit exposure to financial institutions in Turkey*” above. Consequently, there can be no guarantee that the Bank's allowances for credit losses will be adequate to cover losses in its credit portfolio, which, in turn, could have an adverse effect on the Bank's financial condition and results of operations.

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

The Bank's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks. While the Bank currently uses an internal credit ranking system to evaluate Turkish banks, it does not have a similar system in place with respect to corporate customers or non-Turkish financial institutions. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by the Bank's risk management systems. Some of the Bank's methods of managing risk are based on the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate.

Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have an adverse effect on the Bank's business, financial condition and results of operations.

Operational problems or errors could have a material adverse impact on the Bank's business, financial condition and results of operations

The Bank is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Bank is susceptible to, among other things, fraud by employees or outsiders, including due to unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems (including disaster recovery and back-up systems; see “— *The Bank's performance depends on the reliability and capacity of its information technology systems*”). As part of its internal reorganisation in 2017, the Bank moved from a product-based organisation to a process-based organisation, with its allocation, operation and marketing units now organised as separate departments. For further information, see the description of the Bank's organisation under “*Business — Banking Activities*”. Although the Bank maintains a system of internal controls and takes steps to back up its systems, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have an adverse effect on the Bank's business, financial condition and results of operations.

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

The Bank relies on key management and qualified personnel

The Bank is dependent on members of its Board of Directors and key management and qualified personnel for the implementation of its strategy. Moreover, the Bank's continued success will depend, in part, on its ability to continue to retain, motivate and attract, in cases where needed, qualified and experienced personnel. While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, it is not possible to guarantee that constraints in human resources will not arise in the

future. A failure to recruit, train and/or retain necessary personnel could have an adverse effect on the Bank's business, financial condition and results of operations.

Turkish disclosure standards might differ in certain significant respects from those in certain other countries, leading to a lesser amount of information being available about the Bank and its customers

Historically, the reporting, accounting and financial practices applied by Turkish banks have differed in certain respects from those applicable to similar banks in the EU or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other similar markets and any information that is published might only be presented in Turkish. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the Official Gazette in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise unaudited interim financial statements, interim management reports and corporate governance compliance reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA Principles and only subsequently made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites.

The Bank maintains its accounting systems and prepares its accounts in accordance with the relevant legislation and publishes quarterly financial results in accordance with the BRSA Principles. With respect to IFRS, the Bank only publishes annual and semi-annual financial statements. There are differences between the BRSA Financial Statements and IFRS financial statements. A summary of the most material of such differences as they apply to the Bank has been included elsewhere in this Base Prospectus, including the differences described above and other potential differences that may materially affect the Bank's results of operations and financial position (see Appendix 1 – “*Overview of Significant Differences between IFRS and BRSA Accounting Principles*”). Potential investors should rely on their own examination of the Bank, the terms of any Notes issued under the Programme and the financial and other information contained in this Base Prospectus.

The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Bank's business

The Bank is subject to a number of banking and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Bank operates. These laws and regulations increase the cost of doing business and limit the Bank's activities. See “*Turkish Regulatory Environment*” for a description of the Turkish banking regulatory environment. In addition, a breach of any of these laws and regulations could expose the Bank to potential liabilities or sanctions and damage its reputation.

Turkish banks' capital adequacy requirements will be further affected by the Basel Committee on Banking Supervision's (the “Basel Committee”) requirements (“Basel III”) which is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk that was agreed upon by the members of the Basel Committee. Although it was scheduled to be introduced from 2013 to 2015, in April 2013 the schedule for implementation was extended until 31 March 2019. Basel III aims to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and adopted the new Regulation on Equities of Banks (the “2013 Equity Regulation”) and amendments to the

Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which came into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorised under “other assets”. The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in October 2015 (the “2015 Capital Adequacy Regulation”), which entered into force on 31 March 2016 and replaced the previous Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which entered into force on 1 July 2012 (the “2012 Capital Adequacy Regulation”). The 2015 Capital Adequacy Regulation maintained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items. On 22 June 2016, the BRSA introduced an amendment to the 2013 Equity Regulation to change the items included in the equity calculation with an effective 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.

In addition: (a) the Regulation on the Capital Conservation and Countercyclical Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in 5 November 2013 and entered into force on 1 January 2014 (with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that entered into force on 1 January 2015). Finally, the Regulation on the Calculation of Banks’ Liquidity Coverage Ratios, through which the 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 21 March 2014 (the “Regulation on Liquidity Coverage Ratios”), entered into force immediately with the provisions thereof becoming applicable as at 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into force on 1 January 2015). According to this regulation, the liquidity coverage ratios of banks cannot fall below 100 per cent. on an aggregate basis and 80 per cent. on a foreign currency-only basis. Furthermore, pursuant to the BRSA decision dated 26 December 2014 No.6143 on Liquidity Ratios (the “BRSA Decision on Liquidity Ratios”), such ratios shall be increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019.

If the Bank is unable to maintain its capital adequacy and leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets at commercially reasonable prices, or at all, or for any other reason), then this could adversely affect its ability to grow its loan portfolio and could have a material adverse effect on the Bank’s business, financial condition and/or results of operations. In addition, most of the Bank’s loan agreements contain a financial covenant to maintain a minimum capital adequacy ratio at all times (currently 12 per cent. as recommended by the BRSA). See “*Turkish Regulatory Environment*” below for a further discussion on Basel III.

In addition, the Turkish government (including the BRSA and the Central Bank) has introduced, and might introduce in the future, new laws and regulations that impose limits with respect to fees and commissions

charged to customers, increase reserves, increase provision requirements for loans, or otherwise introduce rules that will negatively affect the Bank's business and/or profitability. The Bank might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector, which could impact its profitability.

Further to the amendments to Decree 32, the Central Bank published the Regulation on Procedures and Principles for Monitoring the Transactions Affecting the Foreign Exchange Positions in February 2018 (the "Foreign Exchange Positions Regulation"). Pursuant to the Foreign Exchange Positions Regulation, all companies with foreign currency loans and foreign currency indexed loans of more than U.S.\$15 million (or its equivalent in other foreign currencies) utilised from Turkey or from abroad are required to notify the Central Bank. Companies subject to this notification requirement must engage an auditor to conduct an audit and deliver an opinion to the relevant tracking system to be established by the Central Bank.

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

The Bank's performance depends on the reliability and capacity of its information technology systems

The Bank's financial performance and its ability to meet its strategic objectives depend upon the reliability and security of its information technology ("IT") systems and its systems capacity. Disruptions in the Bank's IT systems could occur. Additionally, the reliability and security of its IT systems depend on human operators and future investments that may be required by evolving technologies. See "*Business—Information Technology*". Additionally, information security risks have generally increased in recent years due to the proliferation of new technologies and the increased sophistication and activities of cyber-attacks. The Bank has increasingly connected equipment and systems to the Internet. Because of the critical nature of its infrastructure and the increased accessibility enabled through connection to the Internet, it may face an increasing risk of cyber-attack. In the event of such an attack, the Bank could have its business operations disrupted, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased litigation and damage to its reputation. There can be no assurance that a disruption (even short-term) to the normal operation of the Bank's IT systems, delays in increasing the capacity of the IT systems or a cyber attack will not have an adverse effect on the Bank's business, financial condition or results of operations.

The Bank is subject to risks associated with anti-money laundering policies and procedures

Although the Bank is not a commercial bank, it has implemented internal measures to prevent it from being used as a conduit for money laundering or terrorist financing. The Bank believes that it is in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations, although such measures, procedures and compliance are not automated and may not be completely effective in preventing third parties from using the Bank and its correspondent banks as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Bank's knowledge. Furthermore, while the Bank reviews its correspondent banks' internal policies and procedures with respect to such matters, the Bank to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. If the Bank is associated with money laundering (including illegal cash operations) or terrorist financing, then its reputation could suffer and/or it could 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 Bank), which could have an adverse effect on its business, financial condition and results of operations.

Risk factors relating to Turkey

Political developments in Turkey may have a material adverse effect on the Bank's business

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

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.

These events, which coincided with the United States Federal Reserve's decision to reduce monthly asset purchases in, have contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. The occurrence of these events, and the timing and manner in which they are resolved, have had and may continue to have: (a) a negative impact on the Bank's business, financial condition and/or results of operations and (b) a negative impact on investors' perception of Turkey, and the strength of the Turkish economy and/or the value and/or price of any Notes issued under the Programme.

Early general elections in Turkey were held on 1 November 2015, which resulted in the ruling party receiving enough votes to regain its majority in parliament following the inconclusive general elections held on 7 June 2015, and thereby allowing it to form a single-party government. In July 2016 the Turkish government was subject to an attempted military coup by a group within the Turkish army. The next general and presidential election is scheduled to take place on June 24, 2018, almost a year and a half earlier than scheduled. If no candidate is able to obtain a majority of votes in the first round of the presidential election, a second round will be held on July 8, 2018. Although to date the Bank's operations have not been materially affected by the attempted military coup or the early elections, the longer-term impact on political and social conditions could have a material adverse effect on the Bank's business, financial condition and results of operations. See "*— The attempted military coup in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

In a referendum held on 16 April 2017, proposed amendments to certain articles of the Turkish Constitution were approved, including an extension of the powers of the president. Most of these amendments are expected to enter into force in November 2019. As a result of the referendum: (i) the current parliamentary system will be transformed into a presidential system; (ii) the president will be entitled to be the head of a political party and to appoint the cabinet; (iii) the office of the prime minister will be abolished; (iv) the parliament's right to interpellate (i.e., the right to submit questions requesting explanations regarding an act or a policy) cabinet members will be annulled; and (v) the president will have increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors). These changes could contribute to political or social instability in Turkey.

Any actual or perceived political instability in Turkey or other political circumstances (and related actions, rumours and uncertainties) could have a material adverse effect on the Bank's business, financial condition or results of operations and/or the value and/or price of any Notes issued under the Programme.

The attempted military coup in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects

In July 2016, there was an attempted military coup in Turkey. While the current government remained in power, the country continues to experience political turmoil and the Turkish government is operating under a state of emergency, most recently extended in April 2018, which entitles the government to exercise certain additional powers. The government has arrested, discharged or otherwise limited, in aggregate, a significant number 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 extending these actions to the business community.

Although the Bank's operations have not been materially affected by the attempted military coup to date, the repercussions of the attempted military coup and/or any extension of the state of emergency (including the rating downgrades of Turkey referred to below) may in the future have a negative impact on the Turkish economy (including an adverse impact on the value of the Turkish Lira and international investors' willingness to invest in Turkey). Government investigations with respect to the attempted military coup are on-going. There may be further actions taken by the government in relation to these investigations, including changes in policies and laws.

Although the measures introduced by the Central Bank following the attempted military coup have contributed a degree of stability and liquidity to the Turkish financial markets, any renewed instability could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-on-year consumer price inflation rates as high as 69.7 per cent. in the early 2000s. Although inflation has declined in recent years, it still remains higher than certain emerging market peers and has been a key area of focus of the Central Bank. Consumer price inflation was 11.9 per cent., 8.5 per cent. and 8.8 per cent. in 2017, 2016 and 2015, respectively. Producer price inflation was 15.5 per cent., 9.9 per cent. and 5.7 per cent. in 2017, 2016 and 2015, respectively. The volatility in global prices of major commodities such as oil, cotton, corn and wheat might increase supply side inflation pressures throughout the world.

The Central Bank also launched the Foreign Exchange Deposits against the Turkish Lira Deposits Market in order to increase the Central Bank's flexibility in managing Turkish Lira and foreign exchange liquidity as part of its policy to stabilise foreign exchange levels and control the effects of Turkish Lira depreciation on inflation, which would jeopardise price stability. The Central Bank has provided U.S.\$6.25 billion in temporary foreign exchange liquidity through auctions of foreign exchange deposits against Turkish Lira deposits, which started on 18 January 2017. The volume of Turkish Lira-settled forward foreign exchange sale auctions (which started on 20 November 2017) reached U.S.\$3.6 billion as at 31 December 2017.

These inflationary pressures, and any further depreciation of the Turkish Lira may result in Turkish inflation exceeding the Central Bank's inflation target significantly, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation, such as increasing interest rates, could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Bank's business, financial condition and results of operations.

A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating

The Bank's credit ratings have generally followed the Republic of Turkey's credit ratings, and as such, a downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating.

The long-term foreign currency debt of Turkey is currently rated BB and its long-term local currency debt is rated BB+ by Standard and Poor's, with "negative" outlook. On 23 September 2016, Moody's downgraded Turkey's credit rating to Ba1, with a stable outlook, from Baa3. On 26 September 2016, Moody's also downgraded the long-term debt and deposit ratings of 14 Turkish banks, including the Bank. On 17 March 2017, Moody's changed Turkey's rating outlook to "negative" from "stable" and on 7 March 2018, Moody's downgraded Turkey's credit rating to "Ba2" from "Ba1" and changed its rating outlook to "stable" from "negative". On 20 July 2016, Standard & Poor's downgraded Turkey's credit rating to BB with a negative outlook from BB+. On 22 July 2016, Standard & Poor's downgraded the ratings of five Turkish banks from "BB+" to "BB". On 27 January 2017, Standard & Poor's changed Turkey's rating outlook to "negative" from "stable". On 24 February 2018, Standard & Poor's affirmed Turkey's credit rating of BB with a rating outlook of "negative". On 27 January 2017, Fitch downgraded Turkey's long-term foreign currency debt and its long-term local currency debt to BB+ with a "stable" outlook from BBB- with a "negative" outlook and affirmed this rating and outlook on 19 January 2018.

The Bank calculates its capital adequacy ratio according to the Capital Adequacy Regulation published by the BRSA. The BRSA allows banks subject to its supervision to use ratings from any accepted rating agencies, including Moody's, S&P, Fitch and, since 2013, the Islamic International Rating Agency ("IIRA"), for the purposes of calculating their risk-weighted assets. Since 2013, the Bank has elected to use Fitch ratings for these purposes. In January 2017, the BRSA also decided to allow the Bank to apply a 0 per cent. risk weight to rediscount loans funded from the Central Bank. Previously, the risk weight applicable to these loans was 50 per cent. Any negative ratings actions could result in the Bank's capital adequacy ratio declining significantly due to the potential change in the risk weightings of the Bank's assets.

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. Any adverse change in an applicable credit rating could adversely affect the rating of the Bank or any Notes issued under the Programme, has the potential to affect the Bank's cost of funds in the international capital markets and could cause a significant decrease in the Bank's capital adequacy ratio.

Turkey's high current account deficit may increase Turkey's vulnerability to reductions in capital inflows or macroeconomic shocks

In recent years, Turkey has had a significant current account deficit, which could leave its economy susceptible to declines in capital inflows and vulnerable to macroeconomic shocks. Moreover, Turkish policymakers may also take measures to decrease certain types of economic activity in an attempt to limit the current account deficit, which could have a negative impact on the Bank's customers and business.

Turkey's current account deficit widened significantly to U.S.\$75.0 billion in 2011 from U.S.\$45.3 billion in 2010, before decreasing to U.S.\$48.5 billion in 2012. The decline in the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures was to slow growth in the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, government authorities have stated that bank-specific actions might be implemented.

The decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to U.S.\$65.0 billion in 2013 due principally to a recovery in domestic demand. To combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to U.S.\$46.5 billion in 2014 and U.S.\$32.2 billion in 2015. On a 12-month basis, Turkey's current account deficit declined further to U.S.\$29.4 billion as at June 2016. However, the trend of decline reversed in the third quarter of 2016, due to the depreciation of Turkish Lira against the U.S. Dollar. Turkey's yearly

current account deficit increased to U.S.\$32.6 billion in 2016. On a 12-month basis, Turkey's yearly current account deficit further increased to U.S.\$39.6 billion as of September 2017. According to the Turkish government's Medium-Term Programme for 2018-2020 announced in September 2017, the current account deficit is targeted to be reduced to 4.3 per cent. of GDP in 2018 before falling to 3.9 per cent. of GDP at the end of the three-year period. The targets set out in Turkey's medium-term economic programme may be further revised.

If the value of the Turkish Lira relative to the U.S. Dollar and other relevant trading currencies changes, then each of the cost of importing oil and other goods and services and the value of exports might change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has taken certain actions to maintain price and financial stability. For example, through a series of interest rate decreases beginning in May 2014, the overnight borrowing rate was reduced from 8.0 per cent. to 7.25 per cent., the one-week repo rate was reduced from 10.0 per cent. to 7.75 per cent. and the overnight lending rate was reduced from 12.0 per cent. to 10.75 per cent. On 25 February 2015, the Central Bank further reduced the one-week repo rate to 7.50 per cent. Such actions by the Central Bank and similar or other actions that it might take in the future might not be successful in reducing the current account deficit. See "*Turkish Regulatory Environment*".

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent on trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports into the EU could have a material adverse effect on Turkish exports and on Turkey's economic growth, which would in turn result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit as described immediately above.

Turkey is an energy-dependent country, with U.S.\$27.2 billion of energy imports in 2017. In 2017, Turkey's current account deficit reached U.S.\$47.1 billion, with energy imports representing approximately 83.1 per cent. of the current account deficit. In the first nine months of 2017, Turkey's 12-months rolling current account deficit and energy imports stood at U.S.\$39.6 billion and U.S.\$34.2 billion, respectively. As a result, any geopolitical development impacting energy security could have a material impact on Turkey's current account balance. If Iraq were to export its oil reserves in Northern Iraq through Turkish territory, this might have a favourable impact on Turkey's energy costs. Turkey might also be able to diversify its energy suppliers and lower its energy costs as a result of the interim arrangement between the P5+1 countries and Iran. However, these developments are subject to significant political and other risks and may not result in lower energy costs for Turkey.

Accordingly, changes in the current account deficit and policy responses, including those introduced by the BRSA or the Central Bank with respect to loan growth ratios, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy as well as the Bank's business, financial condition, results of operations or prospects

As at 31 December 2017, 87 per cent. of the Bank's assets were denominated in foreign currencies, of which 44.6 per cent. were in U.S. Dollars and 55.4 per cent. were in Euro. As at the same date, 93 per cent. of the Bank's liabilities were denominated in foreign currencies, of which 59.6 per cent. were in U.S. Dollars and 40.4 per cent. were in Euro. The Bank translates such assets and liabilities, as well as gains and

losses realised on the sale of such assets, into Turkish Lira in preparing its financial statements, as a result of which the Bank's reported income may be affected by changes in the value of the Turkish Lira relative to such foreign currencies, particularly the U.S. Dollar and Euro.

The Bank seeks to manage foreign currency risk by using natural hedges that arise from offsetting foreign currency-denominated assets and liabilities, and the remaining foreign exchange exposures are hedged with derivative financial instruments that primarily include forward foreign exchange contracts and currency swaps. As part of its strategy to manage the impact of exchange rates, the Bank's trading activities are used only for hedging purposes and not for speculative purposes so as to maintain no significant open foreign exchange position. If the Bank's foreign currency risk management policy should change, any significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies could have a negative effect on the Bank's ability to repay its debt denominated in currencies other than the Turkish Lira, including the amounts due under any Notes issued under the Programme.

As a result of the financial crises in Turkey in November 2000 and February 2001, the Turkish Lira depreciated from TL 0.6718 per Dollar on 26 December 2000 to TL 1.4396 per Dollar on 31 December 2001 and then further depreciated to TL 1.6345 per Dollar on 31 December 2002. The Turkish Lira has been subject to significant volatility in the years since the financial crisis of 2000 to 2002. On 31 December 2012, the exchange rate was TL 1.7826 per Dollar, appreciating to TL 2.1343 per Dollar on 31 December 2013, TL 2.3253 per Dollar on 31 December 2014, TL 2.9161 per Dollar on 31 December 2015, TL 3.5192 per Dollar on 31 December 2016 and TL 3.7603 per Dollar on 31 December 2017.

Any further significant currency volatility could impair the Bank's business strategies and could have an adverse effect on its business, financial condition, results of operations or prospects, particularly if the Bank increases its access to the international capital markets for funding.

International investors may view Turkey negatively, due to adverse events in other emerging markets

Emerging markets such as Turkey are subject to greater risk of being perceived negatively by investors due to external events than more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could decrease capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in any Notes issued under the Programme (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 Bank.

Investors' interest in Turkey may be negatively affected by events in other emerging markets or the global economy in general, which could reduce the Bank's ability to access the international capital markets for funding on acceptable terms or at all, which could in turn have a material adverse effect on the Bank's business, financial condition and results of operations.

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

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. In particular, during 2016 and the first half of 2017, Turkey experienced several terrorist attacks linked to the Islamic State of Iraq and Syria ("ISIS") and other terrorist groups, including an attack at Atatürk Airport in Istanbul in June 2016. Political uncertainty within neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has also been one of the risks associated with investment in Turkish securities. Since December 2010, political instability has increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Jordan, Bahrain, Iraq and Yemen. Unrest in those countries might affect Turkey's relationships with its neighbours,

have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts could occur for reasons including a lower flow of foreign direct investment into Turkey, capital outflows or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East, North Africa and Eastern Europe and may experience material negative effects, including the Turkish exporters who borrow from the Bank and their customers who purchase Turkish exports.

The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government to send and assign military forces in foreign countries for one year should such action be considered appropriate by the government, and this authorisation was extended for a further year on each of 3 October 2013 and 2 October 2014. More recently, elevated levels of conflict have arisen in Iraq and Syria as ISIS militants seized control of areas in Iraq and Syria, which caused a significant displacement of people. In August 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria and in August 2016, Turkey commenced operations in Syria jointly with the American military, which concluded in March 2017. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting terrorist organisations, including the YPG (the People's Protection Units). On 13 April 2018, the United States, the United Kingdom and France launched a one-off coordinated missile offensive against Syrian targets in response to an alleged use of chemical weapons against Syrian civilians by the Syrian government. Russia, which has supported the Syrian government, has criticized this offensive, but has not taken any action against these countries. In the meantime, the Turkish military's operations against the YPG continue in the Afrin region of 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 geopolitical stability in the broader region, including Turkey, Turkey's relationship with the United States 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. Recent developments in Iraq also raise concerns as Iraq is one of Turkey's largest export markets, ranking fourth in 2017 according to TurkStat.

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's annexation of Crimea, have, combined with Ukraine's precarious economic conditions, created significant uncertainty in Ukraine and the global markets. Resolution of the political and economic situation in Ukraine will likely not be achieved for some time, and the situation could deteriorate into increased violence and/or economic collapse. While not directly impacting Turkey's territory, the disputes 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.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. In particular, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including the EU and the United States). Turkey has from time to time been the subject of terrorist bomb attacks, including bombings in recent years in its tourist and commercial centres in Istanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces.

Such circumstances have had and could continue to have a material adverse effect on the Turkish economy (including a negative impact on tourism and foreign direct investment) and consequently the Bank's business, financial condition and/or results of operations.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility

Turkey has a long-term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same twenty-eight criteria (or "Chapters") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Although Turkey has implemented various reforms and continued harmonisation efforts with the EU, the relationship between the EU and Turkey has, at times, been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and in connection with the recognition of the Republic of Cyprus. Following this, in December 2006 the EU decided that negotiations in eight Chapters should be suspended and that no Chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol of July 2005. In November 2013, the negotiations on Chapters and Turkey's accession to the EU were recommenced, although in 2016, the European Parliament voted to suspend EU accession negotiations with Turkey. There can be no assurance that the EU or Turkey will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State, including the new Chapters applicable from 2009 relating to taxation and the environment. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have an adverse effect on the Bank's business, financial condition, results of operations and prospects. In addition, there can be no assurance that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The Bank maintains earthquake, fire, flood, terror and burglary insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. In the event of future earthquakes, effects from the direct impact of such events on the Bank and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster could have an adverse impact on the Bank's customers' ability to honour their obligations to the Bank.

The Bank's credit ratings may not reflect all risks, and changes to Turkey's credit ratings may affect the Bank's ability to obtain funding

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate the Bank and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally.

In addition to any direct losses that the Bank might incur, a default, or the perception of increased risk of default, the possible downgrade in Turkey's credit rating (Moody's recently downgraded Turkey from Ba2 to Ba1 and Standard & Poor's changed Turkey's BB rating outlook from stable to negative, citing the increased pressure on Turkey's external financing position driven by heightened political uncertainty and

lower global liquidity while the rating is retained) would likely have a significant negative impact on the Turkish banking sector generally and might have a material adverse effect on the Bank's business, financial condition and/or results of operations or its own credit ratings. Similarly, enforcing rights against governmental entities might be subject to structural, political or practical limitations.

The long-term debt of the Bank has been rated by Moody's since 1997 and Fitch since 2013. On 9 March 2018, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba2 from Ba1, and the outlook changed to "stable" from "negative". On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt rating of the Bank from BBB-, with a "negative" outlook, to BB+, with a "stable" outlook. One or more independent credit rating agencies may also assign credit ratings to the Notes. Any ratings of either the Bank or any Notes issued under the Programme may not reflect the potential impact of all risks related to the Notes' structure, the global financial market and the Turkish banking sector, additional factors described in this "*Risk Factors*" section and any other factors that may affect the value of any such Notes. There can be no assurance that the rating agencies will maintain the Bank's current ratings or outlooks, which could materially adversely affect the trading values of any Notes issued under the Programme and/or the Bank's ability to finance its operations and the expected expansion of its business going forward, either of which could materially adversely affect the Bank's business, financial conditions, results of operations and prospects. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

The Turkish economy is subject to significant macro-economic risks

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

The Bank's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Bank. If the Turkish economy suffers because of, among other factors, a reduction in the level of economic activity, devaluation of the Turkish Lira, inflation or an increase in domestic interest rates, then a greater portion of the Bank's customers might not be able to repay loans when due or meet their other debt service requirements to the Bank, which would increase the Bank's past due loan portfolio (although the Bank generally requires 100 per cent. collateral on its direct lending activities in the form of commercial bank guarantees and other securities, including mortgage, hypothecation, personal security provided by the companies' owners and company guarantees). In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in demand for the Bank's products. The occurrence of any or all of the above could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Risk factors relating to the Structure of a Particular Issue of Notes

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

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

The U.S. Government, through the Office of Foreign Assets Control of the U.S. Department of Treasury ("OFAC"), the U.S. Department of State or other department, administers regulations that restrict the ability

of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and certain entities and individuals, including specially designated nationals, and other United States, United Kingdom, EU and United Nations rules impose similar restrictions (together “Sanctions Targets”). As the Bank is not a Sanction Target, these rules do not prohibit U.S. or EU persons from investing in, or otherwise engaging in business with the Bank; however, to the extent that the Bank invests in, or otherwise engages in business with, Sanctions Targets, directly or indirectly, investors investing in the Bank may incur the risk of indirect contact with Sanctions Targets, including Russian or Russian-owned financial institutions. Although the Bank is not restricted from engaging in any business with Sanctions Targets, the Bank’s current policy is not to engage in such business. The proceeds of any issuance under the Programme will not be applied in a manner which contravenes applicable sanctions.

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

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

To the extent Notes have an optional redemption feature, the Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Potential investors should consider reinvestment risk in light of other investments available at that time.

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

Fixed/Floating Rate Notes are Notes which 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 market rates on the Notes and could affect the market value of an investment in the relevant Notes.

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

In the case of Turkish Lira-denominated Notes held other than through DTC, unless an election to receive payments in U.S. Dollars as provided in Condition 7.8 is made, holders of such Notes may need to open and maintain a Turkish Lira-denominated bank account, and no assurance can be given that Noteholders will be able to do so either in or outside of Turkey. For so long as such Notes are in global form, any Noteholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Notes) from its account at Euroclear or Clearstream, Luxembourg to which any such payment is made.

For Notes in a Specified Currency other than U.S. Dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to open and maintain a bank

account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on the Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. Dollars and the holders of such Notes will receive payment in U.S. Dollars. See “*Terms and Conditions of the Notes – Condition 7.9*”.

Under Condition 7.8, if the Fiscal Agent receives cleared funds in respect of Turkish Lira-denominated Notes held other than through DTC from the Issuer 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 or the purposes of Condition 7.8 is irrevocable: (a) its exercise may (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, Noteholders will receive the relevant amount in Turkish Lira.

Noteholders will have no recourse to the Issuer, 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.

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.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or reference such “benchmarks”

Interest rates and indices which are deemed to be “benchmarks”, (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR and WIBOR) 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”. Regulation (EU) 2016/1011 (the “Benchmarks Regulation”) was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. 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 LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR or WIBOR (each a “benchmark”), in particular, if the methodology or other terms the relevant “benchmark” 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 the relevant “benchmark”.

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. Such factors may have the following effects on certain “benchmarks” (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR and WIBOR): (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead 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 or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Risk factors relating to Notes Generally

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

The Notes will constitute unsecured obligations of the Issuer

The Issuer’s obligations under the Notes will constitute unsecured obligations of the Issuer. The ability of the Issuer to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (inter alia) the circumstances described in these “Risk Factors”.

Claims of Noteholders under the Notes will be effectively subordinated to those of certain other creditors

While the Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness, the Notes will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (as is the case for all Turkish banks, including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Issuer with the Central Bank, claims that the Central Bank may have against the Issuer with respect to certain loans made by it to the Issuer and certain "public claims"). Any such preferential claims might reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Issuer and might result in an investor in the Notes losing all or some of its investment.

It is important for investors in the Notes to consider that, in case of the insolvency of the Issuer, the Turkish Treasury's reimbursement/subrogation claims relating to the guarantees it provides for debt raised by the Issuer are qualified as "public claims" and, as such, are subject to special collection procedures that result in their ranking prior to claims under the Notes and other ordinary claims. As a result, the remaining value of the Issuer's assets after repayment of these preferred claims in an insolvency of the Issuer might be insufficient to pay investors in the Notes all or any portion of the amounts due to them.

The Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of levels, if any, applicable to interest or other payments on the Notes on the original Issue Date of such 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 and Decree No. 2011/1854 dated 26 April 2011 (together, the Tax Decrees). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10 per cent., (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7 per cent., (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3 per cent., and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0 per cent. The Issuer will have the right to redeem a Series of Notes at any time at the Early Redemption Amount specified in the applicable Final Terms (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 most recently issued Tranche of the relevant Series of Notes, on the next Interest Payment Date the Issuer 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 most recently issued Tranche of the relevant Series of Notes, and such requirement cannot be avoided by the Issuer 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 redeemed 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 Issuer has the right to redeem them as provided above, as the market value at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in the period before such time when any relevant change in law or regulation is yet to become effective.

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

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

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

Although the Notes have been authorised by the CMB pursuant to Decree 32, the Capital Markets Law, the Communiqué on Debt Instruments and other related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Prospective investors may not offer or sell any Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Notes may not be offered, sold or otherwise transferred except in transactions that will not cause the Bank to become required to be registered as an investment company under the Investment Company Act. Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "*Subscription and Sale*".

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

The Issuer may issue further Notes of any Series, which would dilute the interests of an existing holder of the Notes of such Series

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

It may not be possible for investors to enforce foreign judgments against the Issuer or its management

The Issuer is a joint stock company organised under the laws of Turkey. All of the directors and officers of the Issuer reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Issuer are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the

courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

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

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

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

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

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that interests in such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount 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 respect of such holding (should definitive Notes be printed or issued and would need to purchase or sell a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination).

If such Notes in definitive 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.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

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

will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Except in the case of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC has elected to receive any part of such payment in that Specified Currency, for so long as the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

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

Risks related to the market generally

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

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.

The Bank has not registered, and will not register, as an “investment company” under the Investment Company Act

The Bank will seek to qualify for an exemption from the definition of “investment company” under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Bank or its investors.

The market price of an investment in the Notes may be subject to a high degree of volatility

The market price of any investment in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer’s operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale by the Issuer of other Notes or debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of an investment in the Notes without regard to the Issuer’s financial condition or results of operations.

The market price of any investment in the Notes will also be influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally.

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

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

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

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory

measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Issuer is a joint stock company under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Issuer are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Issuer 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 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

- (a) there is in effect a treaty between such country and Turkey providing for a reciprocal enforcement of court judgments,
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

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

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

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,
- (d) the judgment is not of a civil nature,
- (e) the judgment is clearly against public policy rules of Turkey,
- (f) the judgment is not final and binding with no further recourse for appeal or similar revision process under the laws of the country where the judgment has been rendered, or
- (g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

Process may be served on the Issuer at the Economic Counsellor of the Republic of Turkey, 43 Belgrave Square, London SW1X 8PA 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:

- (a) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2017;
- (b) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2016 (including 2015 comparatives);
- (c) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2017;
- (d) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2016 (including 2015 comparatives); and
- (e) the Terms and Conditions of the Notes contained in the Base Prospectus dated 3 December 2015, pages 71 to 106 inclusive, prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. 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 BRSA Financial Statements incorporated by reference into this Base Prospectus, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Issuer confirms were direct and accurate).

Copies of documents incorporated by reference into this Base Prospectus are available on the Bank's website at the following links:

- (a) the Base Prospectus dated 3 December 2015: http://www.ise.ie/debt_documents/Base%20Prospectus_d54f7272-6c08-49c4-9b74-a5a8d475a8d4.PDF
- (b) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2017: <https://www.eximbank.gov.tr/content/files/3d2f3081-5648-4e13-bcef-4e5e2bcc92fb/brsa-20171231>;
- (c) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2016 (including 2015 comparatives): https://www.eximbank.gov.tr/content/files/ab310679-9094-4355-8a56-a03c774cfed7/BRSA_20161231;
- (d) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2017: <https://www.eximbank.gov.tr/content/files/c4d09c05-d16c-4d56-9f81-c163a471eb6c/financialreport20171231>; and
- (e) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2016 (including 2015 comparatives):

<https://www.eximbank.gov.tr/content/files/e9b77d55-c896-48f6-84ca-be0e6c63ef4f/financialreport20161231>.

Any non-incorporated parts of a document referred to above do not form part of this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus do not (and shall not be deemed to) form 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 any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes in accordance with Article 16 of the Prospectus Directive.

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

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes will be issued both in “offshore transactions” to non-U.S. persons in reliance on Regulation S (“Regulation S Notes”) or to QIBs that are also QPs in reliance on Rule 144A (“Rule 144A Notes”).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a “Temporary Bearer Global Note”) or, if so specified in the applicable Final Terms, a permanent global note (a “Permanent Bearer Global Note”) and, together with a Temporary Bearer Global Note, each a “Bearer Global Note”) which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in new global note (“NGN”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”); and
- (b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for, Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

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

Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

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, receipts, interest coupons and talons attached 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 (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) receipts and 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 Code referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts 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 Bearer Notes, receipts 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 depository or other institution for the purposes of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-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, beneficial interests in a Regulation S Global Note 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 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.

The Registered Notes of each Tranche offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold by the Issuer or any person acting on its behalf in transactions exempt from the registration requirements of the Securities Act to QIBs that are also QPs. Rule 144A Notes 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”).

Registered Global Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) or (ii) deposited with a common depository or, if the Registered Notes are to be held under the New Safekeeping Structure (“NSS”), a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depository or common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for registered Global Notes to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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 (a) an Event of Default has occurred and is continuing, (b) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as 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, (c) in the case of Notes registered in the name of a nominee for a common depository or a common safekeeper for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (d) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear

and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (d) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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

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 and form a single Series, which shall not be prior to the expiry of any applicable distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the “*Deed of Covenant*”) dated 24 April 2018 and executed by the Issuer.

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

APPLICABLE FINAL TERMS

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

[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 (“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 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. 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

[² 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.]

[Date]

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

Legal entity identifier (LEI): 789000JVRVYLAXGDWR11

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)
under the U.S.\$2,500,000,000**

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 24 April 2018 [and the supplement[s] to it dated [date] [and [date]] [which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus]³. 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

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will 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 Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

³ Delete where the Notes are not admitted to trading on a regulated market in the European Economic Area.

the Base Prospectus. The Base Prospectus has 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 3 December 2015 [and the supplement to it dated [date] [and [date]] which are incorporated by reference in the Base Prospectus dated 24 April 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 24 April 2018 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”), 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 sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

- | | | |
|---|--|---|
| 1 | Issuer: | Türkiye İhracat 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 <i>[identify earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [date]][Not Applicable] |
| 3 | Specified Currency: | [●] |
| 4 | Aggregate Nominal Amount: | |
| | (a) Series: | [●] |
| | (b) Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from <i>[insert date]</i> (if applicable)] |
| 6 | (a) Specified Denomination(s): | [●] [and integral multiples of [●] in excess thereof]
<i>(Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:
“€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.”)</i> |
| | (b) Calculation Amount (in relation to | [●] |

calculation of interest in global form see
Conditions):

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

- 7 (a) Issue Date: [●]
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
- 8 Maturity Date: *Specify date or for Floating Rate Notes – Interest Payment Date [falling in][nearest to] [specify month and year]]*
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[●] month
[currency][LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/SIBOR/NIBOR/WIBOR] +/- [●] per cent.
Floating Rate]
[Zero coupon]
(see paragraph [14]/[15]/[16] below)
- 10 Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
- 11 Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [●], paragraph [14/15] below applies, and, for the period from (and including) [●] up to (and including) the Maturity Date, paragraph [14/15] below applies]/[Not Applicable][●]
- 12 Put/Call Options: [Investor Put]
[Change of Control Put]
[Issuer Call]
[Not Applicable]
(see paragraph [18]/[19]/[20] below)
- 13 Status of the Notes: Senior
Date Board approval for issuance of Notes obtained: [●] [Not Applicable] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

Provisions relating to Interest (if any) payable

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-

and Interest Amounts to be subject to adjustment or (ii) for which Interest Periods and Interest Amounts are not subject to adjustment but a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Periods and Interest Amounts subject to adjustment: [Applicable/Not Applicable]
- (ii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
(Only applicable where Interest Periods and Interest Amounts are subject to adjustment)
- (iii) Specified Business Centre(s): [[●/Not Applicable]]
(Only applicable where Interest Periods and Interest Amounts are subject to adjustment. This paragraph relates to Interest Period end dates and not the date of payment to which sub-paragraph (vi) below relates)
- (iv) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
 [Actual/Actual (ISDA)] [Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360] [Bond Basis]
 [30E/360] [Eurobond Basis]
 [30E/360 (ISDA)]
- (v) Payment Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
(Only applicable where Interest Periods and Interest Amounts are not subject to adjustment and a specified Business Day Convention is to apply to any date for payment that is not a Payment Business Day)
- (vi) Specified Financial Centres: [●/Not Applicable]
(Only applicable if a Payment Business Day Convention is specified in sub-paragraph 14(g)(v), Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph (iii) above relates)
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: [●][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (Specified Period(s)/Specified Interest Payment Dates may not be subject to adjustment in accordance with a Business Day Convention in the case of Modified Floating Rate Notes. In these circumstances only, paragraph (m) below will be applicable)*
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]²
- (Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
- (c) Specified Business Centre(s): [●][Not Applicable]³
- (Note that this paragraph relates to Interest Period end dates and not the date of payment to which paragraph 23 relates. Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●][Not Applicable]
- (f) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [●] month
[[currency]][LIBOR/EURIBOR/TRLIBOR/ROBOR /PRIBOR/SIBOR/NIBOR/WIBOR]
 - Specified Time: [11.00 a.m.] [11.30 a.m.] [12.00 p.m.] [other]
(11.00 a.m. in the case of LIBOR, EURIBOR, ROBOR, PRIBOR, SIBOR and WIBOR, 11.30 a.m. in the case of TRLIBOR and 12.00 p.m. in the case of NIBOR)
 - Relevant Financial Centre: [London] [Brussels] [Bucharest] [Istanbul] [Prague] [Singapore] [Oslo] [Warsaw] [other]
 - Interest Determination Date(s): [●]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling

² Only not applicable in the case of Modified Floating Rate Notes.

³ Only not applicable in the case of Modified Floating Rate Notes.

or Euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR, the second Istanbul business day prior to the start of each Interest Period if TRLIBOR, the second Bucharest business day prior to the start of each Interest Period if ROBOR, the second Prague business day prior to the start of each Interest Period if PRIBOR, the second Singapore business day prior to the start of each Interest Period if SIBOR, the second Oslo business day prior to the start of each Interest Period if NIBOR and the second Warsaw business day prior to the start of each Interest Period if WIBOR)

- Relevant Screen Page: [●]
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination: [Applicable][Not Applicable]
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
(In the case of a LIBOR or EURIBOR-based option, the first day of the Interest Period)
(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)
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (i) Margin(s): [+/-] [●] per cent. per annum
- (j) Minimum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (k) Maximum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]

		[30E/360][Eurobond Basis]
		[30E/360 (ISDA)]
(m) Modified Floating Rate Notes:		[Applicable/Not Applicable]
		<i>(Modified Floating Rate Notes are Floating Rate Notes: (i) the terms of which provide that Interest Periods and Interest Amounts are not subject to adjustment as provided in the italicised directions for completing paragraph (a) and the paragraphs that follow above and (ii) for which a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Payment Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(ii) Specified Financial Centre(s):	[●/Not Applicable]
16	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(a) Accrual Yield:	[●] per cent. per annum
	(b) Reference Price:	[●]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
Provisions relating to Redemption		
17	Notice periods for Condition 8.2:	Minimum period: [30] days Maximum period: [60] days
18	Issuer Call:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(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
		<i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum</i>

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

General Provisions applicable to the Notes

- 23 Form of Notes: [Bearer Notes:]
- (a) Form: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
[Temporary Bearer Global Note exchangeable for

Definitive Notes on and after the Exchange Date]

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

[Definitive Bearer Notes]

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

(N.B. The option for an issue of Notes to be represented on an issue by a Temporary Bearer Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000”.

[Registered Notes:

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

[Definitive Regulation S Registered Note]

(N.B. In the case of an issue with more than one Global Note, specify the nominal amounts of each Global Note)

(b) [New Global Note:

[Yes][No]]

24 Specified Financial Centre(s):

[●/Not Applicable]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the Interest Amount to which sub-paragraph 15(c) relates. Delete this paragraph if sub-paragraphs 14(g)(vi) or 15(m)(ii) are completed)

25 Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments

are still to be made/No]

Provisions applicable to Turkish Lira Notes

26 U.S.\$ Payment Election:

[Applicable/Not Applicable]

(Only applicable for Notes the Specified Currency of which is Turkish Lira)

Third Party Information

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

Signed on behalf of **TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1 Listing and Admission to Trading

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

2 Ratings

- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
- [insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and 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 European Union and is not registered under Regulation (EC) No 1060/2009 (the “CRA Regulation”).]
- [[Insert legal name of credit rating agency] is not established in the European Union but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the European Union and registered under Regulation (EC) No 1060/2009 (the “CRA Regulation”).]
- [[Insert legal name of credit rating agency] is not established in the European Union but is certified under Regulation (EC) No 1060/2009 (the “CRA Regulation”).]
- [[Insert legal name of credit rating agency] is not established in the European Union and is not certified under Regulation (EU) No 1060/2009, (the “CRA Regulation”) and the rating it has given to

the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.]

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

3 Interests of Natural and Legal Persons involved in the Issue

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

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

4 Reasons for the offer

Reasons for the offer:

[●]

(Note: Use of Proceeds wording in Base Prospectus – if reasons for offer different from making profit or hedging certain risks will need to include those reasons here)

5 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.

6 Historic Interest Rates (Floating Rate Notes only)

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

7 Operational Information

(a) ISIN: [●][Not Applicable]

(b) Common Code: [●][Not Applicable]

(c) CUSIP: [●][Not Applicable]

(d) CFI: [●][Not Applicable]

(e) FISN: [●][Not Applicable]

(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")

(f) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(g) Delivery: Delivery [against/free of] payment

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

8 **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: [Reg. S Compliance Category 2][Rule 144A][Rule 144A] [Rules identical to those provided in [TEFRA C][TEFRA D] applicable][TEFRA not applicable]
- (g) Prohibition of Sales to EEA Retail [Applicable/Not Applicable]

Investors:

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, unless otherwise agreed by the Issuer and the relevant Dealer(s) or Investor(s) at the time of issue, will be incorporated by reference into, or attached to, each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer 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” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Türkiye İhracat Kredi Bankası A.Ş. (the “Issuer”) pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” shall, unless the context otherwise requires, be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “Global Note”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 24 April 2018 and made among the Issuer, Citibank N.A., London Branch as fiscal and principal paying agent and exchange agent (the “Fiscal Agent” and the “Exchange Agent”, which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Citibank N.A., London 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 Citigroup Global Markets Deutschland AG as registrar (the “Registrar”, which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note, which complete these Terms and Conditions (the “Conditions”). References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

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

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

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes 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 or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

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 24 April 2018 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 24 April 2018 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the “Agents”). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (“Euronext Dublin”), the applicable Final Terms will be published on the Issuer’s website. If this Note is not admitted to trading on a regulated market in the European Economic Area, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1 Form, Denomination and Title

1.1 Form and Denomination

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and serially numbered in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and the Communiqué Serial: VII. No: 128.8 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: Sermaye Piyasası Kurulu) (the “CMB”).

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

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

1.2 Title

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

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of a Registered Global Note, registered in the name of a nominee for a common depository or a common safekeeper, as the case may be, for Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall upon their receipt of such certificate or other document be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes and the bearer or registered holder of such Global Note shall be deemed not to be the holder for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and those 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 Part B of 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 of the same Series in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case only in the Specified Denomination(s) (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Final Terms) (and provided that, if transferred in part, the aggregate nominal amount of the balance of that Registered Note not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (if so requested by the specified transferee and at the risk of such transferee), send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail to the transferor. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided in this Condition 2, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or any Agent may require the payment of a

sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3 Status of the Notes

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

4 Negative Pledge

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) 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 other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than 75 per cent. of the votes cast) of the Noteholders.

Nothing in this Condition 4 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any of its present or future business, undertakings, assets or revenues including any uncalled capital or any part thereof which is created pursuant to (i) any Relevant Indebtedness whereby the payment obligations in connection therewith are secured on 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 (created in accordance with then prevailing market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged solely from such assets or receivables ("Non Recourse Securities") (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer), provided that the aggregate then existing balance sheet value of receivables subject to any Security Interest created in respect of an issuance of (A) Covered Bonds and (B) any other secured Relevant Indebtedness (including, the nominal amount of any outstanding Direct Recourse Securities but excluding Non Recourse Securities), does not, on the date of the relevant issuance, exceed 15 per cent. of consolidated total assets of the Issuer and its Subsidiaries (if any) (as shown in the then most recent audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles).

4.2 Interpretation

For the purposes of these Conditions:

"BRSA" means the Banking Regulation and Supervision Agency (in Turkish: Bankacılık Düzenleme ve Denetleme Kurumu);

“BRSAs Principles” means collectively the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 and numbered 26333, Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board, and the additional notes and explanations related thereto, and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the BRSA;

“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 receivables, or by direct unsecured recourse to the Issuer; and

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

5 Covenants

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, for the avoidance of doubt, with the CMB and the BRSA) for: (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (b) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings which are immaterial in the conduct by the Issuer of the Permitted Business.

5.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Subsidiaries to, 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”) unless such 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 (as defined in the Agency Agreement), provided that the foregoing shall not apply to (i) any Affiliate Transaction between the Issuer and any of its Subsidiaries and/or between the Issuer’s Subsidiaries or (ii) any Affiliate Transaction the value of which, when taken together with the value of any other Affiliate Transaction outstanding at the relevant time, does not exceed an amount equal to 20 per cent. of the Issuer’s total assets (as determined by reference to the most recently available consolidated (if and to the extent that the Issuer has Subsidiaries at the relevant time) financial statements of the Issuer prepared in accordance with BRSA Principles).

5.3 Financial Reporting

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer shall deliver to the Fiscal Agent:

- (a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated (if and to the extent that the Issuer has Subsidiaries at the relevant time) financial statements for such financial year, prepared in accordance with BRSA Principles, together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and
- (b) not later than 120 days after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated (if and to the extent that the Issuer has Subsidiaries at the relevant time) financial statements for such six month period, prepared in accordance with BRSA Principles, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

5.4 Interpretation

For the purposes of these Conditions:

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

"Calculation Amount" means the denomination of the notes specified in the applicable Final Terms (or if more than one denomination is so specified, the lowest such denomination), unless a different amount is specified in the applicable Final Terms as the "Calculation Amount", in which case Calculation Amount shall mean that amount so specified;

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

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

"Subsidiary" means, 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, any applicable Determination Date and whether the provisions relating to Modified Fixed Rate Notes will be applicable.

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

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

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

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

If Modified Fixed Rate Notes is specified as applicable in the applicable Final Terms and Interest Periods and Interest Amounts are specified as being subject to adjustment, a Business Day Convention shall also be specified in the applicable Final Terms and (where applicable) Interest Payment Dates shall be postponed or brought forward, as the case may be, in accordance with Condition 6.5(b) and the relevant Interest Period and Interest Amount payable on the Interest Payment Date for such Interest Period will be adjusted accordingly.

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms 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 Specified Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates, the Day Count Fraction and whether the provisions relating to Modified Floating Rate Notes will be applicable. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms 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” for the purposes of such Floating Rate Note) 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.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

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

(ii) Screen Rate Determination for Floating Rate Notes

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

- (A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR or WIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Fiscal Agent shall request each of the Reference Banks to provide the Issuer and the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuer and the Fiscal Agent 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.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuer and the Fiscal Agent 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 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 Issuer and the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuer and the Fiscal Agent 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 Issuer and the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the

Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) 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).

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

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

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

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

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

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

The Fiscal Agent will calculate the Interest Amount payable on the Floating Rate Notes for the relevant Interest Period (or any other relevant 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 greater than the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or 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 the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

6.3 Notification of Rate of Interest and Interest Amounts

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

6.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Fiscal Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.5 Accrual of interest

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

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

6.6 Day Count Fraction and Business Day Convention

(a) Day Count Fraction

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

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (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) 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:
 - I 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
 - II the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

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

- (ii) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated as follows:
 - (A) in the case of Fixed Rate Notes, on the basis of a year of 360 days with 12 30-day months; and
 - (B) in the case of Floating Rate Notes, on a formula basis as follows:

where:

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

“Y1” is the year, expressed as a number, in which the first day of such period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M1” is the calendar month, expressed as a number, in which the first day of such period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

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

“D2” is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365 (or, if any portion of such period falls in a leap year, the sum of (I) the actual number of days in that portion of the period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360;
- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated on a formula basis as follows:

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

where:

“Y1” is the year, expressed as a number, in which the first day of such period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M1” is the calendar month, expressed as a number, in which the first day of such period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

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

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

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

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

where:

“Y1” is the year, expressed as a number, in which the first day of such period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M1” is the calendar month, expressed as a number, in which the first day of such period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

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

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

(b) Business Day Convention

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

- (i) in the case of Floating Rate Notes where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date (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 (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.7 Interpretation

In these Conditions:

“Business Day” means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Specified Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Specified Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open; and
- (c) 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;

“Interest Amount” means the amount of interest;

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

“Reference Banks” means:

- (a) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market;
- (b) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market;
- (c) in the case of a determination of TRLIBOR, the principal Istanbul office of four major banks in the Turkish Lira interbank market;
- (d) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Romanian interbank market;
- (e) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague interbank market;
- (f) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market;
- (g) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian interbank market; and
- (h) in the case of a determination of WIBOR, the principal Warsaw office of four major banks in the Warsaw interbank market,

in each case as selected by the Issuer and unless otherwise specified in the applicable Final Terms;

“Reference Rate” means, unless otherwise specified in the applicable Final Terms: (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Turkish Lira interbank offered rate (“TRLIBOR”), (iv) the Romanian interbank offered rate (“ROBOR”), (v) the Prague interbank offered rate (“PRIBOR”), (vi) the Singapore interbank offered rate (“SIBOR”), (vii) the Norwegian interbank offered rate (“NIBOR”) or (viii) the Warsaw interbank offered rate (“WIBOR”);

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

“Specified Time” means, unless otherwise specified in the applicable Final Terms: (i) 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, Romanian time, in the case of a determination of ROBOR, Prague time, in the case of a determination of PRIBOR, Singapore time, in the case of a determination of SIBOR and Warsaw time, in the case of a determination of WIBOR), (ii) 11.30 a.m. (Istanbul time, in the case of a determination of TRLIBOR), and (iii) 12.00 p.m. (Oslo time, in the case of a determination of NIBOR); and

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

7 Payments

7.1 Method of payment

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee with a bank in any country in which the Specified Currency constitutes legal tender from time to time.

Payments in respect of principal and interest on the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

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 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 ten years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (the “Register”) at (i) where in global form, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (in each case, the “Record Date”). For these purposes, “Designated Account” means the account maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means any bank which processes payments in such Specified Currency.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of 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. 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.

No commissions or expenses shall be charged to the holders by any Agent in respect of any payments of principal or interest in respect of Registered Notes, save as provided in Condition 7.9.

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

in the DTC with an interest in the Notes has elected to receive any part of such payment in the Specified Currency, in the manner specified in the Agency Agreement and Condition 7.9 and in accordance with the rules and procedures for the time being of the DTC.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, 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 such person's 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 Business Day

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

For these purposes, "Payment Business Day" means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Specified Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;
- (c) either (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
- (d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC (with an interest in such Registered Global Note) has not elected in accordance with Condition 7.9 to receive any part of such payment in a Specified Currency other than 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; and

“Payment Business Day Convention” means, if the Payment Business Day Convention is specified in the applicable Final Terms as the:

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

7.7 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 9;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

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

- (a) If “USD Payment Election” is specified as being applicable in the applicable Final Terms, the Specified Currency is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, then a Noteholder (in the case of a Series of Notes in registered form, as of the applicable Record Date) may, not more than 10 and not less than five Business Days before the due date (the “Relevant Payment Date”) for the next payment of interest and/or principal on a Note (such period, the

“USD Election Period”), give an irrevocable election to any Agent to receive such payment in U.S. Dollars instead of Turkish Lira (each, a USD Payment Election). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each “USD Election Period” of the USD Payment Elections made by the Noteholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the “Lira Amount”) to be paid by the Issuer in respect of the Notes the subject of such USD Payment Elections and which is to be converted into U.S. Dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.8 and Clause 7 of the Agency Agreement.

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

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

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

- (c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 7.8 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount of U.S. Dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. Dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by the time specified in the Agency Agreement for the purposes of the Fiscal Agent making payment of principal and/or interest to Noteholders on each Relevant Payment Date, including any such payments in U.S. Dollars. If the Fiscal Agent receives cleared funds from the Issuer after the time so specified, then the Fiscal Agent will use its best endeavours to pay the funds (including any so converted U.S. Dollar amounts) as soon as 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 7.8, irrespective of any USD Payment Election made.

(e) To give a USD Payment Election:

- (i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 7.8 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable U.S. Dollar payment is made; and
- (ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

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

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

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

Any Noteholder which elects to receive any part of a payment in the relevant Specified Currency, in accordance with the provisions of Condition 7.9, is advised that its ability to receive payment in such Specified Currency will be conditional on delivery by it, or on its behalf, of all notifications and forms to the Agent and DTC as may be required by each of them in accordance with their then prevailing operating procedures, and in each case within the periods specified by them for such purpose.

8 Redemption and Purchase

8.1 Redemption at maturity

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

8.2 Redemption for tax reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued 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 most recently issued Tranche of the Notes; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than the minimum period nor 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, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if applicable) with interest accrued to (but

excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

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

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

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

If Investor Put is specified as being applicable in the applicable Final Terms, then upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together (if applicable) with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note:

- (a) if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, then the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account to which payment is to be made under this Condition 8.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to such Paying Agent’s order or under its control; and
- (b) if this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, as applicable, 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 such holder’s instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary or common safekeeper, as the

case may be for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, 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 Redemption upon a Change of Control (Change of Control Put)

If a Change of Control Put is specified as being applicable in the applicable Final Terms, then the following rules shall apply.

- (a) Following the occurrence of a Change of Control (as defined below), each Noteholder (or, for Global Notes, the holder of a beneficial interest therein) will have a right (a “Change of Control Put Right”), at such Noteholder’s (or, for Global Notes, such beneficial owner’s) option, to require the Issuer to redeem in whole but not in part such Noteholder’s Notes (or, for Global Notes, such beneficial owners’ part thereof) on the Change of Control Put Date (as defined below) at, in respect of each relevant Note (or beneficial interest therein), the sum of:
 - (i) 100 per cent. of their principal amount plus; (ii) interest accrued thereon to such date.
- (b) A Change of Control Put Right shall be exercised in the following manner:
 - (i) If this Note is in definitive form, the holder of this Note must complete, sign and deposit at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) a duly completed and signed notice, in the form for the time being current, obtainable during normal business hours from the specified office of any Paying Agent (a “Change of Control Put Exercise Notice”), together with the definitive Note to be redeemed, by not later than 30 days following a Change of Control or 30 days following the date upon which notice of the occurrence thereof is given to the relevant Noteholder (in accordance with Condition 15) by the Issuer, whichever is later. The Change of Control Put Exercise Notice must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.5 on the “Change of Control Put Date”. The Change of Control Put Date shall be the 14th calendar day after the expiry of the 30-day period following a Change of Control or, if later, following the date upon which notice of the occurrence thereof is given to the Noteholders (in accordance with Condition 15) by the Issuer.
 - (ii) If this Note is a Global Note, then the holder of a beneficial interest in this Note must, within the notice period described in sub-paragraph (b)(i), 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 the applicable one 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.
- (c) Any Change of Control Put Exercise Notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, given by a holder of an interest in a Global Note (which may include notice being given on such holder’s instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them or

registered nominee thereof to the Fiscal Agent or, in the case of Registered Global Notes, the Registrar by electronic means) pursuant to this Condition 8.5 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 8.5 and instead to declare its interest in such Global Note (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them or registered nominee thereof to the Fiscal Agent or, in the case of Registered Global Notes, the Registrar by electronic means) immediately due and payable pursuant to Condition 11.

- (d) No Paying Agent shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred.
- (e) Not later than two days after becoming aware of a Change of Control, the Issuer shall procure that notice shall be given to the Noteholders in accordance with Condition 15 stating:
 - (i) the date of such Change of Control and, briefly, the events causing such Change of Control;
 - (ii) the date by which the Change of Control Put Exercise Notice must be given;
 - (iii) the Change of Control Put Date;
 - (iv) the names and addresses of all Paying Agents;
 - (v) the procedures that Noteholders must follow and the requirements that Noteholders must satisfy in order to exercise the Change of Control Put Right;
 - (vi) that a Change of Control Put Exercise Notice, once validly given, may not be withdrawn other than as permitted by subparagraph (c) above; and
 - (vii) the aggregate principal amount of the Notes outstanding as at the latest practicable date prior to the publication of such notice regarding the Change of Control.
- (f) For the purpose of these Conditions, a "Change of Control" shall be deemed to have occurred if:

EITHER

- (i)
 - (A) the Republic of Turkey, acting through the Under secretariat of the Treasury (in Turkish: Türkiye Cumhuriyetini temsilen Hazine Müsteşarlığı) or through any other entity owned or controlled by the Republic of Turkey, as the case may be (the "Controlling Entity") ceases to control or hold, directly or indirectly, 100 per cent. of the ordinary shares of the Issuer (such event, a "Disposal"); and
 - (B) within a period beginning on the date that is the earlier of (x) the date of the first public announcement of the Disposal, and (y) the completion of the Disposal, and ending on the date that falls six months after the completion of the Disposal (the Disposal Period), a Ratings Event occurs,

OR

- (ii) the Controlling Entity ceases to control or hold, directly or indirectly, at least 50 per cent. plus one share of the ordinary shares of the Issuer.

For the purposes of this Condition 8.5:

“Rating Agency” means Moody’s Investors Service Limited (“Moody’s”) or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) or Fitch Ratings Ltd. (“Fitch”), or any of their respective successors, or any other rating agency of international standing; and

a “Ratings Event” means any of the following:

- (i) for so long as the Republic of Turkey maintains one or more ratings from the Rating Agencies (the “Turkish Sovereign Rating”):
 - (A) if any of the Rating Agencies withdraws a rating assigned to the Notes and such rating is not subsequently re-instated within the Disposal Period; or
 - (B) if any of the Rating Agencies downgrades a rating assigned to the Notes to a level below the then-assigned Turkish Sovereign Rating; or
- (ii) if the Notes carry no credit rating, and no Rating Agency assigns within the Disposal Period a credit rating to the Notes that is equivalent to the Turkish Sovereign Rating or higher.

8.6 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 an amount (the “Amortised Face Amount”) calculated in accordance with the following formula:

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

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).

8.7 Purchases

The Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto

are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the Issuer or any such Subsidiary (as the case may be) for those Notes held by it, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.8 Cancellation

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

8.9 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 the foregoing provisions of this Condition 8 or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, then 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 in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the Republic of Turkey; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder or, as the case may be, Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 7.6).

In these Conditions:

- (i) the “Relevant Date” means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the

Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders or the Couponholders, as the case may be, by the Issuer in accordance with Condition 15.

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

9.2 Additional Amounts

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

10 Prescription

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

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

11 Events of Default

11.1 Events of Default

The holder of any Note may give notice to the Issuer that the 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 (“Events 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 or 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 Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or within any applicable grace period; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money is enforced; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due (within any applicable grace period) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, PROVIDED THAT the aggregate principal amount of any such (A) Indebtedness for Borrowed Money of the Issuer or such Subsidiary in the case of (i), (ii) or (iii) above, and/or (B) Indebtedness for Borrowed Money in relation to which such guarantee

or indemnity of the Issuer or such Subsidiary has been given in the case of (iv) above, exceeds USD 50,000,000 (or its equivalent in any other currency or currencies); or

- (d) if any order is made by any competent court or the Government of Turkey, as the case may be, or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or
- (e) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part, or if any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save in each case for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries suspends or threatens to suspend 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, declared or found to be (or becomes) bankrupt or insolvent; or
- (f) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, insolvent reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

11.2 Interpretation

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 BRSA Principles financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited BRSA Principles financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; provided that: (i) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries relate or (ii) in the case of any such Subsidiary for which its then latest relevant audited accounts, at the time of such acquisition, are not prepared in accordance with BRSA Principles, the reference to the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries and the relevant then latest audited BRSA Principles financial statements of such Subsidiary for the purposes of the calculation above shall, until consolidated or, as the case may be, BRSA Principles 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 consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries as if such Subsidiary had been shown in those financial statements by reference to such Subsidiary's then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer (including to reflect a conversion of such accounts into BRSA Principles if the then latest relevant audited accounts of such Subsidiary were not prepared in accordance with BRSA Principles);

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer's next audited consolidated BRSA Principles financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above; or
- (c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of the Issuer's next consolidated audited BRSA Principles 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 initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents or any additional 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 listing 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;
- (d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall as soon as practicable appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15 Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language newspaper of general circulation in London. It is anticipated that any such publication in a newspaper will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) of such Registered Notes at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange

or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

There may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such websites 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 on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16 Meetings of Noteholders and Modification

16.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more person(s) holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of 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 person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed 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.

The Agency Agreement provides that: (a) a resolution in writing signed on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding (whether such resolution in writing is contained in one document or several documents in the same form, each signed on behalf of one or more Noteholders) or (b) consent given by way of electronic consents through the relevant clearing systems by or on behalf of Noteholders of not less than 75 per cent. in

principal amount of the Notes for the time being outstanding will, in each case, take effect as if it were an Extraordinary Resolution and shall be binding upon all Noteholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders and Couponholders as soon as practicable thereafter in accordance with Condition 15.

17 Further Issues

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

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing Law and Submission to Jurisdiction

19.1 Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law.

19.2 Submission to jurisdiction

- (a) Subject to Condition 19.2(c) below, the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) have exclusive jurisdiction to settle any disputes arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a “Dispute”) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute 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).
- (b) For the purposes of this Condition 19.2, 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 settle any Dispute.

- (c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take any (i) proceedings in any other court with jurisdiction; and (ii) 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 Waiver of Immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity, if any, (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees: (i) not to claim; and (ii) irrevocably waives such immunity, in each case only to the fullest extent permitted by the laws of such jurisdiction.

19.5 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints The Economic Counsellor of the Republic of Turkey at its registered office at 43 Belgrave Square, London SW1, United Kingdom as its agent for service of process in England in respect of any Proceedings and undertakes, that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

19.6 Other Documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the courts of England and appointed an agent in England for service of process, in terms substantially similar to those set out above.

USE OF PROCEEDS

The Issuer will incur various expenses in connection with the issuance of each Tranche of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses (if the relevant Notes are rated and/or listed, respectively). The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, unless otherwise specified in the applicable Final Terms.

CAPITALISATION

The following table sets forth the medium- and long-term indebtedness and equity of the Bank as at 31 December 2017.

	As at 31 December 2017
	<i>(in thousands of TL)</i>
Medium- and long-term indebtedness:	
Medium- and long-term funding loans ⁽¹⁾	16,770,128
Medium- and long-term debt securities in issue ⁽²⁾	10,279,210
Total medium- and long-term indebtedness	27,049,338
Equity:	
Paid-in share capital	4,800,000
Retained earnings and reserves.....	974,083
Total equity	5,774,083
Total capitalisation	32,823,421

Notes:

- (1) The Bank's medium- and long-term indebtedness is indebtedness that has a maturity of more than one year and consists of loans from the European Investment Bank, the World Bank, Islamic Development Bank, Industrial and Commercial Bank of China (Turkey), ICIEC guaranteed ING Bank Loan, Vida Finance PLC, MIGA guaranteed loan, ING Bank (covered loan), Council of Europe Development Bank, China Development Bank, Abu Dhabi Commercial Bank, syndicated loan and the subordinated loan from the Turkish Treasury.
- (2) Indebtedness associated with the Existing Notes.

Since 31 December 2017, the Bank has entered into the following financing arrangements:

- a U.S.\$20 million and a U.S.\$25 million one-year bilateral loan from Citibank Europe plc in January 2018;
- a U.S.\$33 million loan utilized in February 2018 in the context of a 22-year (including a seven-year grace period) U.S.\$300 million loan agreement with the World Bank;
- a €50 million loan utilised in February 2018 in the context of a four-year (including one-year grace period) €75 million working capital tranche of a €150 million loan agreement with the Council of Europe Development Bank;
- a €25 million loan utilised in February 2018 in the context of a six-year (including two-year grace period) €75 million capital investment tranche of a €150 million loan agreement with the Council of Europe Development Bank;
- a one-year U.S.\$12.3 million bilateral loan from MUFG Bank, Ltd., London Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch) in February 2018;
- a €40 million bilateral loan from Mizuho Bank for up to a three-month period in February 2018;

- a nine-month U.S.\$363.5 million two-step murabaha syndicated loan transaction with a consortium of banks coordinated by the International Islamic Trade Finance Corporation (“ITFC”) in March 2018;
- a dual-currency U.S.\$670 million syndicated loan transaction with a consortium of banks coordinated by MUFG Bank, Ltd., London Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch), comprising a €358.5 million and U.S.\$41 million one-year tranche and €122.5 million and U.S.\$35 million two-year tranche, in March 2018; and

On 30 March 2018, the Undersecretariat of Treasury contributed TL 1 billion to the Bank’s capital via a cash capital contribution.

Other than as set out above, there have been no material changes to the Bank’s capitalisation since 31 December 2017.

SELECTED FINANCIAL INFORMATION

Unless otherwise stated, the following tables set forth, for the periods and as at the dates indicated, selected financial data of the Bank derived from the BRSA Financial Statements (presented under BRSA Principles), which are incorporated by reference in this Base Prospectus as described under “Documents Incorporated by Reference”.

Prospective investors should read the following information in conjunction with “Presentation of Financial and Other Information” and “Capitalisation”, as well as the BRSA Financial Statements.

Income Statement Data

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Interest income	2,238,086	1,643,054	1,193,866
Interest expense	(1,224,198)	(784,056)	(482,628)
Net interest income	1,013,888	858,998	711,238
Fees and commissions received.....	21,409	34,753	25,475
Fees and commissions paid	(28,491)	(20,897)	(11,677)
Net fees and commissions income/(expense)	(7,082)	13,856	13,798
Trading gains/(losses) on securities	(5)	9	(719)
Trading gains/(losses) on derivative financial assets	(683,719)	662,142	556,359
Foreign exchange gains/(losses)	402,603	(1,000,621)	(700,836)
Trading losses	(281,121)	(338,470)	(145,196)
Other operating income	214,444	142,282	125,702
Total operating income	940,129	676,666	705,542
Provision for loan losses and other receivables	(77,418)	(26,305)	(24,685)
Other operating expenses.....	(294,236)	(229,036)	(191,451)
Net profit for the period	568,475	421,325	489,406

Balance Sheet Data

	As at 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Assets			
Cash and balances with Central Bank	632,192	370,991	1,227
Financial assets at fair value through profit/loss (net)	27,263	129,281	14,305
Banks	2,082,401	2,518,048	164,402

As at 31 December

	2017	2016	2015
	<i>(in thousands of TL)</i>		
Money markets	831,691	368,160	—
Available-for-sale financial assets (net).....	30,318	21,124	18,051
Loans and advances	80,271,104	61,609,764	43,159,126
Held-to-maturity securities (net)	180,461	98,549	255,968
Hedging and derivative financial assets	133,606	460,311	105,138
Property and equipment (net)	5,430	7,404	13,189
Intangible assets.....	6,055	2,759	2,230
Other assets.....	1,172,342	2,687,592	704,159
Total assets	85,375,189	68,276,314	44,437,795
Liabilities			
Trading derivative financial liabilities	384,351	41,322	635
Borrowings	67,368,670	51,718,845	32,988,250
Money markets	152,000	69,000	200,000
Marketable securities issued	10,279,210	7,827,323	5,088,218
Funds	13	13	16
Miscellaneous payables	665,814	2,747,448	898,347
Other liabilities	252,785	194,346	87,680
Hedging derivative financial liabilities.....	188,286	150,529	42,823
Provisions	268,419	230,229	223,922
Tax liability.....	9,962	8,240	5,608
Subordinated loans	31,596	88,285	121,591
Total liabilities	79,601,106	63,075,580	39,657,090
Shareholders' Equity			
Paid-in capital	4,800,000	3,700,000	2,500,000
Capital reserves	18,077	10,043	607,325
Profit reserves	387,531	1,069,366	1,183,974
Profit or loss	568,475	421,325	489,406
Total equity	5,774,083	5,200,734	4,780,705
Total liabilities and equity	85,375,189	68,276,314	44,437,795

Cash Flow Statement Data

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Net cash provided from banking operations	1,214,874	904,495	(899,161)
Net cash provided from investing activities	(79,686)	155,280	49,293
Net cash provided from financing activities	1,218,287	1,487,164	(60,096)
Effects of change in foreign exchange rate on cash and cash equivalents.....	365,358	544,631	9,662
Cash and cash equivalents at the beginning of the period	3,257,199	165,629	1,065,931
Cash and cash equivalents at the end of the period	3,546,284	3,257,199	165,629

Key Ratios

	As at and for the year ended 31 December		
	2017	2016	2015
	<i>(in percentages)</i>		
Average liquid assets/Average total assets ⁽¹⁾⁽²⁾	4.2	4.4	2.3
Average liquid assets/Average short-term liabilities ⁽²⁾	7.17	7.16	3.4
Return on average assets ⁽³⁾	0.8	0.8	1.2
Return on average equity ⁽⁴⁾	10.9	8.4	11.4
Equity to assets ratio ⁽⁵⁾	6.8	7.6	11.2
Impaired (non-performing) loans and advances to customers/Gross loans and advances to customers ⁽⁶⁾	0.4	0.4	0.3
Provisions for impaired (non-performing) loans/Impaired (non-performing) loans ⁽⁷⁾	65	62	100

Notes:

- (1) In this table, average liquid assets, average total assets, average short-term liabilities and average equity were each calculated on a monthly basis.
- (2) Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale.
- (3) Return on average assets is calculated as net profit for the period divided by average total assets for the period.
- (4) Return on average equity is calculated as net profit for the period divided by average equity for the period.
- (5) Equity to assets ratio represents average equity for the period divided by average total assets for the period.
- (6) Non-performing loans/gross loans and advances ratio derived from the Bank's BRSA Financial Statements
- (7) Provisions for non-performing loans/non-performing loans ratio derived from the Bank's BRSA Financial Statements.

Source: Statutory Financial Statements

BUSINESS

Introduction

The Bank, which is organised as a joint stock company, is the official export credit agency of Turkey. As set forth in Cabinet Decree No. 2013/4286 of 28 January 2013 (the “Decree”), which replaced Cabinet Decree No. 87/11914, the Bank was organised for the purposes of “the improvement of exports, diversification of exported goods and services, causing exportation to enter into new markets, increasing share of exporters in international trade, extending them such support in their ventures as shall be necessary, providing exporters and overseas contractors with support for increasing the competitiveness and security in international markets and supporting and encouraging overseas investments and production and sale of export-oriented capital goods”. In order to advance these aims, the Bank provides loans, guarantees and insurance, principally to Turkish exporters. The Bank is wholly owned by the Turkish Undersecretariat of Treasury (the “Undersecretariat of Treasury”). The Bank’s chartering law (no. 3332) provides that the Undersecretariat of Treasury is required to cover losses incurred by the Bank in its credit, insurance and guarantee transactions arising from political risk (such as transfer restrictions, foreign exchange restrictions or war), although the Bank bears all commercial risk in connection with such transactions. The Bank operates out of its headquarters in Istanbul and eleven branches located in Ankara, Izmir, Gaziantep, Kayseri, Konya, Antalya, Bursa, Gebze, Denizli, Adana and Istanbul (European Side). The Bank also has nine liaison representative offices located in Samsun, Trabzon, Hatay, the Kemalpaşa Organised Industrial Zone, the Eskişehir Chamber of Commerce Liaison Office, the Kahramanmaraş Chamber of Commerce Liaison Office, the Aegean Region Chamber of Industry, the Manisa Organised Industrial Zone and the Çerkezköy Organized Industrial Zone. The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2018. See “— *Strategy — Support diversification of export markets and products*”. The Bank’s registered address is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 (216) 666 55 00.

In the year ended 31 December 2017, based on aggregate Turkish exports of U.S.\$157.0 billion (as reported by the Turkish Statistical Institute), the Bank provided financial support for 25.0 per cent. of total Turkish exports. In the year ended 31 December 2016, based on aggregate Turkish exports of U.S.\$142.5 billion (as reported by the Turkish Statistical Institute), it provided financial support for 23.1 per cent. of total Turkish exports, as compared to 21.0 per cent. of aggregate exports in the year ended 31 December 2015 based on aggregate volumes. Although there was a decline in exports in 2009 due to the global financial crisis, in the past ten years Turkish exports have grown significantly from an aggregate of U.S.\$107.3 billion in 2007 to U.S.\$157.0 billion in 2017.

The Bank provides four main export finance related products: short-term credits, medium and long-term credits, guarantees and insurance. Its most significant product is short-term loans, which as at 31 December 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). As at 31 December 2017, the Central Bank’s rediscount loans accounted for 53 per cent. of the Bank’s total loans. As at 31 December 2017, the metal sector accounted for the largest proportion by volume of the Bank’s total loans at 18 per cent., the logistics and transportation sector accounted for 15 per cent., the textile, ready to wear and leather sector accounted for 15 per cent., the wholesale trade and services sector accounted for 10 per cent., the food, agriculture and livestock sector accounted for 8 per cent., the chemicals and plastics sector accounted for 7 per cent., the construction and construction products sector accounted for 6 per cent., the motor vehicles sector accounted for 5 per cent. and the machinery and electrical appliances sector accounted for 5 per cent. However, the Bank’s strategy over the medium to long term is to shift from short-term lending to a mix of short-term and medium- and long-term lending as well as focusing on buyer credit programmes in international markets. Additionally, since 2011, the Bank has offered foreign currency options to assist Turkish exporters with managing exchange rate risks. The Bank is an important instrument in the implementation of Turkey’s

economic policy, which since 1980 has focused on export-led economic growth, rather than focusing on maximising profits. The Undersecretariat of Treasury as sole shareholder of the Bank can exercise its influence over the Bank through its control of the Bank's Supreme Advisory and Credit Guidance Committee and through the appointment of the Bank's Board of Directors. See *“Risk Factors—Risk factors relating to the Bank — The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs”*. This Committee approves the Bank's annual programmes, as well as the Bank's general strategy, targeted annual volumes and key objectives for each year.

As at 31 December 2017, the Bank provided U.S.\$39.3 billion in financial support to the export sector, consisting of U.S.\$24.1 billion in the form of cash loans and U.S.\$15.2 billion in the form of insurance and guarantees, which is equal to 25.0 per cent. of the U.S.\$157.0 billion of total exports for 2017 (as reported by the Turkish Statistical Institute). The Bank's 2018 Annual Programme, which was approved in February 2018, sets a target for the Bank to provide approximately U.S.\$46.0 billion in financial support to the export sector through cash loans and insurance and guarantees, which, based on targeted Turkish exports of U.S.\$169.0 billion (according to the Medium-Term Programme for 2018-2020 prepared by the Turkish Ministry of Development and announced on 27 September 2017), would amount to approximately 27.2 per cent. of total Turkish exports.

The long-term debt of the Bank has been rated by Moody's since 1997 and by Fitch since 2013. On 9 March 2018, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba2 from Ba1, and the outlook changed to “stable” from “negative”. On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt rating of the Bank from BBB-, with a “negative” outlook, to BB+, with a “stable” outlook.

Strengths

The Bank believes its principal strengths and competitive advantages include the following:

State-ownership and support

The Bank is wholly owned by the state of Turkey. The Undersecretariat of Treasury currently owns 100 per cent. of the Bank's shares. Additionally, the state provides support to the Bank in a variety of ways. The rights of the Undersecretariat of Treasury as a shareholder in the Bank are contained in the articles of association of the Bank; the Bank is, and will continue to be, managed in accordance with those articles and applicable provisions of Turkish law. The government has in the past regularly injected capital into the Bank, either directly to paid-in capital or to specific funds that are managed by the Bank and which are incorporated into its total equity. The most recent such capital injection was a TL 1 billion capital injection by the Undersecretariat of Treasury in March 2018. The zero cost of funding of this capital allows the Bank to provide exporters with Turkish Lira-denominated credit at below market rates. The state also provides indemnification for political risk and guarantees the ultimate recovery of losses in the case of credits granted by the Bank to certain countries deemed strategically important by the Turkish government. This has become more important as the Bank expands its international loans programme into new markets for Turkish exports. In addition, the Bank is currently exempt from corporate income tax, stamp tax and Central Bank reserve requirements. Such government support increases the Bank's competitiveness in the Turkish export finance market and helps to maintain its well-established position as the leader in the Turkish export finance market (source: the Bank's Financial Statements and BRSA website, 2017).

Leading provider of export finance in Turkey

The Bank is the leading provider of export finance, having provided financial support for 25.0 per cent. of Turkish exports in 2017 through its export finance-related products. As the Turkish economy and exports grow, the Bank expects further opportunities to grow its loan portfolio. Since the 1980s, successive Turkish governments have focused on export-led economic growth and as Turkey's official export credit agency, the

Bank has played a central role in that government policy. The Bank expects it will continue to be a major instrument for the government's policies as Turkey focuses on improving its current account balance.

Diverse range of products

The Bank's export finance-related programmes include not only export credit but also export credit insurance and international loan programmes and guarantee programmes. Through its export credit programmes, the Bank offers both short-term and medium- to long-term credit to exporters. The Bank also offers specific credit programmes for small and medium enterprises, businesses located in priority investment areas, shipbuilders and tourism companies, amongst others. The Bank is able to create tailored products to meet new demand or implement new strategies. For example, the Bank believes that, in the long term, overseas construction and investment will play an important role in increasing Turkey's foreign currency earnings, accordingly it has developed a special programme to provide assistance for the construction of department stores overseas which are also intended to support exports of consumer goods.

Strong financial position

The Bank maintains a high capital adequacy ratio, driven by the capital contributions from the Undersecretariat of Treasury and retained earnings. Under Basel II standards, the Bank's capital adequacy ratio reported to BRSA was 13.55 per cent. as at 31 December 2017, and it will be further strengthened by 1.5 per cent. by the most recent capital injection of TL 1 billion by the Undersecretariat of Treasury in March 2018. Additionally, the Bank seeks to mitigate credit risk by taking on only Turkish commercial bank risk and no exporter risk through its indirect lending programme for short-term credit, which is one of the Bank's largest programmes, and does not extend new loans unless collateralised (with a Turkish commercial bank guarantee or otherwise). The Bank also requires Turkish commercial bank guarantees under many of its direct lending programmes, resulting in a low level of impaired loans. With respect to provisioning policies, the Bank pursues a conservative approach.

Strategy

The Bank's overall strategic goal is to augment the export capacity of high quality Turkish products and services and continue to support Turkish exporters as Turkey's official export credit agency. It intends to achieve this goal by continuing to implement the following key strategies:

Substantially grow cash and non-cash lending; increase share of medium and long-term programmes

Currently, the Bank is principally engaged in providing short-term export financing to Turkish exporters. Going forward, the Bank plans to gradually change the focus of its activities to include a greater proportion of medium- and long-term cash and non-cash loan programmes and guarantees and substantially increase its overall volume of activity. In the future, the Bank plans to leave short-term export financing to commercial banks and to focus more on medium-term loan facilities, as well as guarantees and insurance activities that generate fees and commissions.

Support diversification of export markets and products

The Bank is focused on achieving product and country diversification of Turkish exports as well as increasing the share of Turkish exporters in international trade. Other objectives include developing new export markets through international loans credit and similar programmes and providing support and risk management options for Turkish exporters, investors and overseas contractors. The Bank seeks to diversify and expand its activities in order to encourage Turkish exports and economic growth as set forth in the Turkish government's economic policy. The Bank's overall volume of financial support to Turkish exporters through its credit, insurance and guarantee programmes was U.S.\$39.3 billion as at 31 December 2017. In 2018, the Bank estimates that it will provide U.S.\$46.0 billion in financial support to Turkish exporters through its credit, insurance and guarantee programmes.

The Bank is also continuing to expand its direct lending to exporters, as well as its insurance and other programmes, in order to support Turkish exporters.

Alignment with Government development strategy

The Turkish government's Medium-Term Programme for 2018-2020 seeks to ensure sustainable growth, reduce the current account deficit predominantly through foreign direct investments, and improve the international investment environment, increase employment and achieve and maintain a single-digit inflation rate. The Bank's strategies take into account such goals and the Bank aims to contribute to building a positive image of Turkish products in the international markets by providing credit programmes that meet exporters' needs. The Bank also provides certain credit programmes and benefits that are targeted at assisting small and medium enterprises and government-designated priority investment regions. In addition, the Bank places importance on its International Loans Programme (a buyer's credit/guarantee scheme) with key trading partners in Asia and Africa.

History

The Bank was incorporated in its present form on 21 August 1987 by Cabinet Decree No. 87/11914 (the "Previous Decree"), which applied Law No. 3332 of the Republic (the "Law"). The Law and the Previous Decree provided for the reorganisation of the Bank's predecessor, the State Investment Bank (the "SIB"), as a joint stock company with limited liability. The SIB had been established in 1964 and attached to the Ministry of Finance under Law No. 441, and had been responsible for lending operations to Turkish state economic enterprises. Following the Previous Decree, the SIB officially changed its name to Türkiye İhracat Kredi Bankası A.S. on 21 August 1987.

On 28 January 2013, the Cabinet Decree No. 2013/4286 (the "Decree") entered into force, repealing the Previous Decree, primarily due to the need to conform with the new Turkish Commercial Code (Law No. 6102) (the "TCC"). The Decree regulates and determines, among others, the title, purpose, area of activity and capital structure, principles regarding the organisation, appointment and authorisation procedures of the governing bodies and auditing and dissolution of the Bank. For example, under the Decree, the Bank was authorised to broaden its activities by providing domestic insurance and reinsurance for Turkish exporters and providing financial support for research and development, trademark, patent and technology alongside acquisitions of technical cooperation services. The Decree also provided that the Bank fall into the purview of the Law on the Validity and Enforcement of the Turkish Commercial Code (Law No. 6103), which requires joint stock companies to amend their articles of associations so that they comply with the TCC. As a joint stock company, the Bank amended its articles of associations with respect to its scope of activity, capital structure, Board of Directors and various committees.

Ownership and Capital Structure

Under the Previous Decree, shares of the Bank were divided into two classes: 51 per cent. (A) group shares and 49 per cent. (B) group shares, both of which were held by the Treasury. The Previous Decree also required the Undersecretariat of Treasury to hold the (A) group shares representing 51 per cent. of the Bank's total shares, while the (B) group shares were transferable to banks, financial institutions or insurance companies. Despite the existence of (B) group shares, no shares were transferred or sold to third parties and the Bank has been wholly owned by the Undersecretariat of Treasury since its foundation in 1987. Pursuant to the constitution of Turkey, any transfer or sale of the Bank's shares requires legislative approval by the Turkish Grand National Assembly. The Decree, which became effective on 28 January 2013, unified the two classes of shares into one class and removed the requirement for the Undersecretariat of Treasury to hold 51 per cent. of the shares of the Bank. The Decree itself reflects the share transfer requirements of the Turkish constitution referred to above.

As at the date of this Base Prospectus, the Bank's paid-in share capital was TL 4.8 billion. At the Bank's Extraordinary General Assembly held on 12 January 2017, it was decided to apply the registered capital system in the Bank, under which the Board of Directors is now authorised to increase capital by up to TL 10 billion, until the end of 2021 without requiring further General Assembly resolutions for each capital increase.

Relationship with the Turkish State

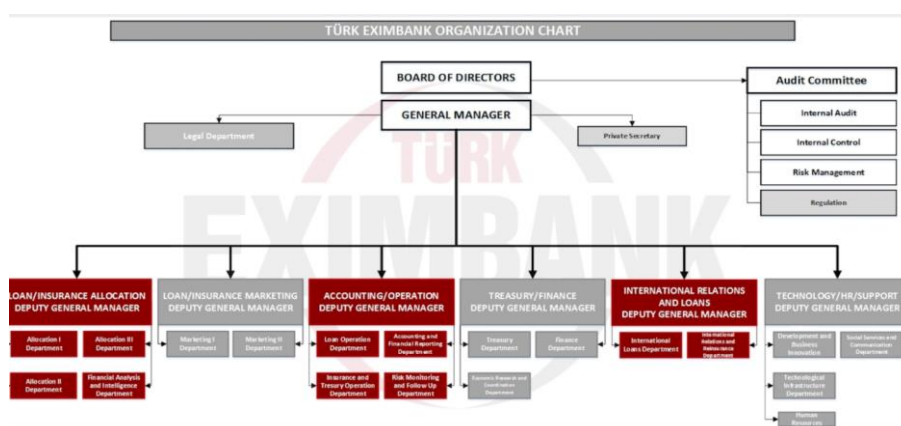
The Bank is a major instrument of Turkish government policy to promote Turkish exports and indirectly to bolster the Turkish economy. The Undersecretariat of Treasury has provided the Bank with regular capital contributions and other payments. As a state-owned bank, the Bank can take advantage of certain benefits such as exemption from corporate income tax and some of the rules and regulations of the BRSA. Since the Bank is wholly owned by the Treasury, the Bank is subject to the control of the state and each successive government. Additionally, the Bank must receive approval from the Undersecretariat of Treasury to enter into a foreign financing arrangement with a maturity of more than one year.

Under Article 4(C) of the Law, which established the Bank, the Treasury is obliged to meet any losses incurred by the Bank in its credit, insurance, and guarantee transactions as a result of political risks. The Bank has, generally, attempted to reschedule overdue loans due to political risk before making reimbursement claims from the Treasury. The Treasury must include the amount of any reimbursement claims from the Bank in the proposed budget for the following year and the amount may only be paid out after the budget is approved. As a result of the procedures for collecting on this indemnity in the event that a borrower fails to pay, the Bank may experience delays in payment as it must notify the Treasury of all loans that are past due and any relevant insurance or guarantees in September of each year.

Banking Activities

As part of its internal reorganisation in 2017, the Bank has moved from a product-based organisation to a process-based organisation. Under the newly established structure, the Bank's operations are split into six units: loan and insurance allocation; loan and insurance marketing; accounting and operations; treasury and finance; international loans; and technology, HR and support. Each of the units is headed by a Deputy General Manager who reports directly to the General Manager.

The following chart shows the Bank's organisational structure as at the date of this Base Prospectus.



The Bank's principal services fall into a number of categories: export credits, which can be further categorised into short-term credits and medium- to long-term credits (including international loans), and insurance and guarantees.

While all Turkish companies are eligible for the Bank's services, priority is given to all credit applications from small and medium enterprises ("SMEs") and companies located in certain economically underdeveloped provinces located in the southern or south-eastern regions of Turkey which are designated as priority investment areas ("PIAs"). SMEs include small enterprises, defined as enterprises employing fewer than 250 persons, and medium enterprises, defined as enterprises employing fewer than 3,000 persons.

The following table sets forth a summary of the relative contributions to gross interest income by each of the Bank's main lending programmes for the years ended 31 December 2017, 2016 and 2015, respectively.

	For the year ended 31 December		
	2017	2016	2015
Short Term Loans			
<i>Indirect Lending:</i>			
Pre-Shipment Export Credits:			
TL	7.6%	9.7%	14%
FX	2.1%	1.8%	3%
Sub-Total	10%	12%	17%
<i>Direct Lending:</i>			
Foreign Trade Companies Export Credits:			
TL	0%	0%	0%
FX	0%	0%	0%
Total	0%	0%	0%
<i>Pre-Export Credits:</i>			
TL	3.2%	4.4%	5.8%
FX	0.1%	0.1%	0.4%
Sub-Total	3.3%	4.5%	6.2%
<i>Special Credit Programmes:</i>			
Short-Term Export Receivables Discount Programme	0%	0%	0%
Tourism Credit Programme:			
TL	0.32%	0.32%	0.28%
FX	0.01%	0.01%	0.08%
Sub-Total	0.33%	0.33%	0.36%
<i>Rediscount Programme:</i>			
TL	21.4%	24.5%	19.7%
FX	23.7%	20.4%	20.6%
Sub-Total	45.1%	44.9%	40.3%

	For the year ended 31 December		
	2017	2016	2015
Medium-and Long Term Loans			
International Loans	4.3%	3.2%	1.7%
<i>Pre-Shipment Export Credits:</i>			
TL	0.04%	0.05%	0.1%
FX	2.11%	2.33%	1.5%
Sub-Total	2.15%	2.39%	1.6%
<i>Pre-Export Credits:</i>			
TL	0%	0%	0%
FX	0.5%	0.4%	0.3%
Sub-Total	0.5%	0.4%	0.3%
Export Finance Intermediation Loan (EFIL-IV)	0.5%	0.6%	0.9%
Bridge Credit Programme for Overseas Contractor Services	1.6%	1.6%	1.8%
Other	32.6%	33.2%	30.2%
Total⁽¹⁾	100%	100%	100%

Note:

(1) Includes only interest income earned by the Bank on loans.

The following table sets forth a summary of the relative contributions to fees and commissions and other operating income by each of the Bank's insurance and other related products or services for the years ended 31 December 2017, 2016 and 2015, respectively.

	For the year ended 31 December		
	2017	2016	2015
International Loans	9%	20%	18%
Commissions from reinsurance of insurance facilities ⁽¹⁾ ..	16%	13%	16%
Short-term export credit insurance premiums ⁽²⁾	72%	60%	63%
Income from banking services	0.4%	0.5%	1%
Other ⁽³⁾	3%	7%	2%
Total commissions and revenues received	100%	100%	100%

Notes:

- (1) Commissions paid back to the Bank by reinsurers at the year end and recorded as other operating income in the BRSA Financial Statements.
- (2) Fees received from insurance policies issued by the Bank and recorded as other operating income in the BRSA Financial Statements.
- (3) This item refers to the Credit Limit Appeal Fee and Collections from Claims Paid.

The table set forth below shows the breakdown of the outstanding balances and the proportion of the Bank's total performing loan portfolio, by short-term and medium- and long-term loans, as at 31 December 2017, 2016 and 2015, respectively.

	As at 31 December					
	2017		2016		2015	
	<i>(in thousands of TL, except percentages)</i>					
Short-term loans.....	49,723,265	61.9%	38,607,354	62.8%	27,863,867	64.6%
Medium and long-term loans.....	30,445,337	37.9%	22,913,107	37.2%	15,295,259	35.4%
Total performing loans	80,271,104	100%	61,520,461	100%	43,159,126	100%

Short-Term Export Credits

Loans under the Bank's short-term export credit programmes accounted for, in the aggregate, 62 per cent., 63 per cent. and 65 per cent. of its total loans as at 31 December 2017, 2016 and 2015, respectively. Credits with a maturity of up to 360 days are classified as short-term export credits whereas credits up to 540 or more days are classified as medium- and long-term credits. The Bank's main short-term export lending programmes are outlined as follows:

Indirect Lending

- Pre-Shipment Export Credit Programmes
 - Pre-Shipment Export Credit Programmes - Turkish Lira ("PSEC-TL")
 - PSEC-Priority Investment Areas ("PSEC-PIA")
 - Pre-Shipment Export Credit Programme—Foreign Currency ("PSEC-FX")
 - PSEC-Free Trade Zones ("PSEC-FTZ")
 - Participation Banks Pre-Shipment Foreign Currency Export Credit Programme

Direct Lending

- Foreign Trade Companies Short-Term Export Credits Programme
 - Foreign Trade Companies Turkish Lira Credit Programme
 - Foreign Trade Companies Foreign Currency Credit Programme
- Pre-Export Credit Programmes
 - Pre-Export Turkish Lira Credit Programme
 - Pre-Export Foreign Currency Credit Programme
 - Free Trade Zones Pre-Export Foreign Currency Credit Programme
 - Pre-Export Turkish Lira Credit Programme for SMEs

- Pre-Export Foreign Currency Credit Programme for SMEs
- Special Credit Programmes
 - Specific Rediscount Credit Programme
 - Post Shipment Rediscount Credit Programme
 - Rediscount Credit Programme
 - Tourism Credit Programme
 - International Transportation Marketing Credit Programme
 - Credit Programme for Participating in Overseas Trade Fairs

The following table sets forth the amount of the outstanding balance for each of the Bank's short-term loan products and its proportion of the total outstanding loan balance as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	<i>(in thousands of TL, except percentages)</i>					
Pre-Shipment Export Credits – TL	2,624,368	3.3%	2,309,379	3.8%	2,346,803	5.4%
Pre-Shipment Export Credits – FX	3,168,262	3.9%	2,250,715	3.7%	1,519,622	3.5%
Foreign Trade Companies – TL.....	—	—	—	—	—	—
Short-term Export Credit Programme – TL.....	—	—	—	—	—	—
Foreign Trade Companies – FX.....	—	—	—	—	—	—
Short-term Export Credit Programme – FX.....	—	—	—	—	24,049	0.1
Pre-Export Credits Programme – TL..	771,032	1.0	980,887	1.6	1,110,387	2.6
Pre-Export Credits Programme – FX..	207,294	0.3	64,663	0.1	135,123	0.3
Tourism Credit Programme – TL.....	95,344	0.1	86,327	0.1	63,274	0.1
Tourism Credit Programme – FX	18,183	—	5,614	—	16,845	—
Post-Shipment Rediscount Credit Programme	649,790	0.8	698,008	1.1	232,437	0.5
Foreign Currency Earning Rediscount Credits.....	5,962,451	7.4	5,815,561	9.5	934,472	2.2
Pre-Shipment Rediscount Credit Programme – TL.....	3,585,741	4.5	3,186,206	5.2	2,078,411	4.8
Pre-Shipment Rediscount Credit Programme – FX	32,170,226	40.1	22,926,823	37.3	19,147,268	44.4
Pre-Export Credits Programme for SMEs – TL	217,501	0.3	127,240	0.2	113,597	0.3
Pre-Export Credits Programme for SMEs – FX	84,267	0.1	59,190	0.1	41,732	0.1
International Transportation Marketing Programme – TL	81,387	0.1	68,965	0.1	60,160	0.1
International Transportation Marketing Programme – FX	21,491	—	10,454	—	20,115	—
Credit Programme for Participating in Overseas Trade Fairs – TL.....	—	—	92	—	71	—

As at 31 December

	2017		2016		2015	
	<i>(in thousands of TL, except percentages)</i>					
Bridge Credit Programme for Overseas Contractors Services – TL...	—	—	—	—	—	—
Bridge Credit Programme for Overseas Contractors Services – FX...	—	—	—	—	—	—
International Loans	—	—	—	—	—	—
Foreign Currency Earning Services						
FX.....	59,923	0.1%	16,820	—	19,377	—
Other Short-Term Export Credits Programme	6,005	—	410	—	124	—
Total.....	49,723,265	61.9	38,607,354	62.8	27,863,867	64.6

The Bank's short-term Turkish Lira-denominated export credits are funded through paid-up capital, credit and placement interest collections and funds from repo transactions. As a result, the Bank's cost of funds for its Turkish Lira-denominated short-term loans is nearly zero. Furthermore, the Central Bank provides the Bank with foreign currency funding within the framework of Rediscount Credits which the Bank extends to exporters in Turkish Lira as well as in foreign currencies. Funding for the Bank's short-term foreign currency-denominated export credits is principally sourced from syndicated and bilateral loans at market rates as well as from the Central Bank. As at 31 December 2017, the Central Bank's rediscount loans accounted for 53 per cent. of the Bank's total loans.

Exporters seeking pre-shipment financing must provide an order or other evidence that the Turkish manufacturer intends to sell and ship the relevant goods to a foreign buyer (an "export commitment"). Upon repayment of the loan, the exporter must provide a copy of the customs declaration as proof that it has fulfilled its export commitment. If the exporter cannot prove that it exported the products against which the funds were lent, then the exporter must pay a penalty equal to the interest charged plus the Banking and Insurance Transaction Tax ("BITT") accrued on the paid interest amount of the credit. Normally, as an export incentive, the Turkish government does not require exporters to pay these taxes.

Since 1997, reduced interest rates for short-term export credits have been made available to short-term export credit insurance policyholders.

For all short-term credits, the Bank takes collateral to provide security against the possibility of payment default. The amount of the collateral is calculated as 100 per cent. of the sum of the risk of credit and export commitment defaults.

Types of collateral accepted by the Bank include:

- Letters of guarantee issued by a Turkish bank;
- Avals issued by a Turkish bank on bond/policy;
- Surety/guarantee issued by the KGF (as defined below);
- Türk Eximbank Export Credit Insurance Policy; and
- Turkish Government debt securities.

The Credit Guarantee Fund ("KGF") is a Treasury-backed collateral facility established to support SMEs by providing access to financing and collateral to enable them to use bank loans in financing their investments and operations. The KGF provides guarantees to Turkish companies that are unable to obtain credit due to

insufficient collateral. In particular, the KGF aims to encourage banks to provide more financing to SME borrowers through its sponsorship.

In March 2017, the government increased the guarantee limit under the KGF to TL 250 billion from TL 20 billion. The KGF guaranteed TL 220 billion in credit extended to Turkish companies in 2017, of which 73 per cent. was extended to SMEs.

In 2018, the Treasury has indicated that the KGF will guarantee TL 55 billion in credit (of which TL 5 billion will constitute repayments). Of this amount, TL 25 billion will be used to guarantee loans that banks award to industrial companies and TL 15 billion will be used to finance exporters.

The KGF provides two types of guarantee: a guarantee through its own equity and a guarantee backed by the Treasury. For credits guaranteed by KGF's own equity, there is no requirement for additional collateral as the guarantee covers all potential risk of the credit. For credits guaranteed by the KGF that are backed by the Treasury, the Bank requires additional collateral, which may include mortgages, hypothecation or personal security provided by the companies' owners and/or company guarantees in order to provide full security against the possibility of payment default.

The KGF receives a non-recurring commission of 0.03 per cent of the total guarantee limit allocated to the Bank. A KGF guarantee backed by the Treasury may be provided through two separate systems: the Portfolio Guarantee System ("PGS") and the Portfolio Limit System ("PLS"), for which the total limit allocated to the Bank is TL 3.46 billion until the end of February 2018.

Within the framework of the PGS, KGF guarantees the total portfolio consisting of loans to be selected by the Bank. Under this framework, potential borrowers apply to the Bank directly and the Bank analyses and evaluates the creditworthiness of the borrower according to the criteria set by the Treasury and the KGF. These loan disbursements are automatically granted under the PGS limit.

Within the framework of the PLS, KGF provides separate guarantees for each borrower whose guarantee limit is exceeded in the PGS. Guarantees provided in the PLS are only available to non-SMEs whereas PGS guarantees are available for all types of borrowers.

In 2017, the majority (50 per cent.) of the Bank's total credits, in terms of credit volume, related to shipments to European Union countries, with the balance going to the Middle East and Northern Africa (13 per cent.), United States and Canada (7 per cent.), other European countries (4 per cent.) and the rest of the world (26 per cent.). Below is a discussion of the Bank's main short-term lending programmes.

Indirect Lending

The Bank's indirect lending programmes provide financing to meet the working capital needs of Turkish exporters. Presently, the programmes operate through 34 of Turkey's 52 banks (including participation banks), which in turn on-lend to Turkish exporters who comply with the lending criteria established by the Bank. The Bank screens these intermediary banks for creditworthiness and reassesses such creditworthiness on a quarterly basis to determine whether they may continue to offer loans through the Bank's Pre-Shipment Export Credit Programmes. The Bank allocates credit lines to these intermediary banks, which bear the default risk of the exporters under these lines of credit. For further information, see "*Risk Management*". While the bulk of the loans under the indirect lending programmes have a maturity of less than 360 days, those with a longer maturity are classified as medium- to long-term loans.

As at 31 December 2017, 2016 and 2015, indirect export credits extended via selected Turkish banks comprised 11 per cent., 11 per cent. and 12 per cent., respectively, of the Bank's total credit exposure. As at 31 December 2017, the four largest exposures to such banks were 14.4 per cent., 14.3 per cent., 12.3 per cent. and 11.3 per cent., respectively, of the total of such exposures, with none of the remaining banks accounting for more than 10 per cent. of the total of such exposures.

The total amount of Turkish Lira and foreign currency allocated at any given time to any company in the Pre-shipment Export Credit Programme is U.S.\$25 million, and no loan may exceed an amount equal to 100 per cent. of the value of the export commitment. SMEs are given priority under the Pre-shipment Export Credit Programme and commercial banks are expected to extend at least 30 per cent. of their total Turkish Lira and foreign currency limits to SMEs. The share of Pre-shipment Export Credit Programme in total SME credits disbursed represented 54 per cent., 55 per cent. and 46 per cent. in 2017, 2016 and 2015, respectively.

Pre-shipment Export Credit Programme

Under the PSEC Programme, the Bank extends Turkish Lira and foreign currency-denominated (PSEC-TL and PSEC-FX) loans to Turkish commercial banks that in turn provide working capital loans to Turkish manufacturers, export-oriented manufacturers and other businesses who intend to export their products and foreign currency earning services.

The Turkish manufacturer may use the monies lent to purchase raw materials and machinery or to meet other manufacturing and working capital requirements. PSEC loans are designed to provide financial support from the early stages of production against an export commitment equal to the amount of credit extended.

The Bank offers loans under this programme with a maximum maturity of 360 days for Turkish Lira-denominated credits, with a maximum maturity of 540 days for foreign currency-denominated credits. In PSEC-FX, loans are given in U.S. Dollars, Euros, Sterling and, from time to time, Japanese Yen.

Interest rates set by the Bank for PSEC-TL loans are fixed rates determined based on the maturity of the loans and a company's outstanding loan balance. Interest rates on PSEC-FX loans are calculated based on LIBOR (according to the maturity of the loan) plus a spread that varies depending on the maturity of the loans. For FX credits with a maturity of over six months, a floating interest rate is used, as the base LIBOR changes every six months. The intermediary banks can charge additional commissions to exporters up to 100 basis points for Turkish Lira credits and 50 basis points for FX credits. Additionally, exporters that are also short-term credit insurance policy holders of the Bank receive a discount of 25 basis points from the standard interest rate charged by the Bank on both foreign currency and Turkish Lira-denominated loans.

As the Bank's cost of funding for its Turkish Lira-denominated short-term export credits is nearly zero, the interest rates that the Bank sets for Turkish Lira credits are typically below the comparable market rates offered by Turkish commercial banks. The intermediary banks to which the Bank extends PSEC loans determine the collateral, if any, that the relevant Turkish manufacturers will have to provide in connection with the loans under this programme, since such commercial banks bear the default risk for such loans.

Under the PSEC-TL Programme, each participating intermediary bank must extend loans to borrowers located in PIAs, in an amount not less than 5 per cent. of their lending limit. This sub-programme (PSEC-PIA) encourages exports from businesses located in PIAs and aims to help eliminate the socioeconomic gaps that exist between PIAs and more developed regions in Turkey.

Under the PSEC-FTZ sub-programme of PSEC, loans are disbursed to businesses that operate in Turkey's free trade zones.

Under the Participation Banks Pre-shipment Foreign Currency Export Credit Programme, another sub-programme of PSEC, which was established in April 2014, the Bank extends foreign currency-denominated loans to participation banks which in turn provide foreign currency-denominated working capital loans to Turkish manufacturers, export-oriented manufacturers and other businesses that intend to export their products, except for FTCs (as defined below). The Bank offers loans under this programme with a maturity of up to 540 days. The maximum amount that the Bank may lend under this programme is U.S.\$25 million per borrower.

Direct Lending

The Bank's direct lending programmes, under which the Bank lends directly to Turkish exporters, aim to provide pre-shipment financing to meet the working capital needs of Turkish exporters.

Foreign Trade Companies Credits

Under the Foreign Trade Companies Credit ("FTCC") programme, the Bank makes loans to Foreign Trade Companies ("FTCs") or Sectoral Foreign Trade Companies ("SFTCs"). FTCs are businesses which the Turkish Ministry of Economy has designated as FTCs in the Republic of Turkey's Official Gazette. In order to be classified as an FTC by the Undersecretariat for Foreign Trade, the company (a) must have exported in the prior year more than U.S.\$100 million worth of goods, and (b) must have a minimum of TL 2 million of paid capital. As at 21 July 2017, the Ministry of Economy has classified approximately 56 companies as FTCs. Meanwhile, an SFTC is formed when 10 or more small or medium-size companies in the same industry sector form a single co-operative entity for exporting purposes. To qualify as an SFTC, depending on the region in which it is established, no single member of the co-operative entity may control more than a certain percentage of voting power, and the entity's total yearly exports and aggregate capital must meet certain prescribed minimum thresholds.

Loans under this programme are extended either in TL (FTC-TL) or foreign currency (FTC-FX). The company limit, defined as the maximum amount of the outstanding credit risk of an exporter company, is determined separately for each company by the Bank.

Under this programme, the collateral mentioned under "*— Banking Activities — Short-Term Export Credits*" above is taken to provide 100 per cent. security against the possibility of payment default.

The interest rates for loans under this programme are uniform for all loans regardless of the outstanding credit risk of companies. Interest rates on FTC-TL loans are fixed rates and interest rates on FTC-FX loans are floating rates calculated based on LIBOR plus a spread that varies depending on the maturity of the loan. As in every programme, the base LIBOR changes every six months. As with PSEC loans, companies with a short-term credit insurance policy of the Bank receive a discount of 25 basis points from the standard interest rate charged by the Bank on both foreign currency and TL denominated loans.

Pre-Export Credit Programme

Under the Pre-Export Credit Programme ("PECP"), the Bank extends loans to businesses which are not classified as FTCs or SFTCs. The Bank designed these loans to be similar to the FTC loans and they may be made either in Turkish Lira or in foreign currency.

Under this programme, the Bank provides working capital loans to Turkish manufacturers, export-oriented manufacturers and exporters. Foreign currency-denominated loans extended under the PECP-FX programme may be denominated in U.S. Dollars, Euro, Sterling and Japanese Yen and have a maximum maturity of 540 days, whereas Turkish Lira-denominated loans extended under the PECP-TL programme have a maximum maturity of 360 days. The interest rates on loans extended under PECP-TL are fixed rates, which are calculated based on the maturity of the loan and the relevant company's outstanding loan balance, and are typically set at levels below comparable market rates offered by Turkish commercial banks. Interest rates on loans extended under PECP-FX are uniform for all loans that have the same principal amount and are approved on the same day, and are calculated based on six-month LIBOR or EURIBOR plus a spread.

The maximum amount the Bank may lend to a given company under these programmes is U.S.\$25 million for foreign currency and Turkish Lira-denominated loans. No loans under the programmes may be in an amount which exceeds the value of the borrower's exports commitment.

Under this programme, the collateral mentioned under "*— Banking Activities — Short-Term Export Credits*" above is taken to provide 100 per cent. security against the possibility of payment default.

Special Credit Programmes

Special credit programmes include Central Bank lending programmes as well as other specific credit programmes.

Specific Rediscount Credit Programme

The specific Rediscount Credit Programme is a special credit programme in which pre-shipment and post-shipment exports are financed simultaneously. This programme was established at the end of 2016 to meet exporters' needs.

Under this programme, the Bank accepts a "Specific Export Credit Insurance Pre-/Post-Shipment Risk Policy" as collateral. Pursuant to a "Specific Export Credit Insurance Pre-/Post-Shipment Risk Policy", the Bank insures the export order of the firm against the risk that the buyer will cancel its order. Moreover, under a "Short Term Export Credit Insurance Pre-/Post-Shipment Risk Policy", the Bank insures the export receivables against the default risk via another policy.

The programme continues to be conducted in pilot form with a maximum maturity of 360 days.

Post-Shipment Rediscount Credit Programme

The Post-Shipment Rediscount Credit Programme is the Bank's unique post-shipment facility. This programme was established in October 1996 under the name Short-Term Export Receivables Discount Programme. The programme, including its name, was revised to its current form in 2012. The programme aims to increase the competitiveness of Turkish exporters in international markets by enabling them to sell Turkish goods on deferred payment terms and by eliminating overseas risks, which encourages them to enter new markets.

Under this programme, Turkish exporters assign their deferred export receivables with a maximum maturity of 360 days arising from cash against goods, cash against documents and letters of credit insured by the Bank's Short-Term Export Credit Insurance Programme or guaranteed by domestic and/or international commercial banks. The Bank discounts 85 per cent. (100 per cent. for transactions guaranteed by domestic and/or international commercial banks) of deferred export receivables and endorses related notes to the Central Bank to fund such activities through the rediscounting line provided by the Central Bank to the Bank, which was increased from U.S.\$15 billion to U.S.\$17 billion in July 2016. Additionally, Post Shipment Rediscount Credits can be disbursed through intermediary factoring companies in return for the endorsement of assigned receivables of exporter companies.

Rediscount Credit Programme

The Rediscount Credit Programme was established in December 1999 to offer financial assistance to Turkish exporters on a pre-shipment basis. The Bank discounts bonds issued by the exporter company, funding such activities through the rediscounting line provided by the Central Bank to the Bank, which was increased from U.S.\$15 billion to U.S.\$17 billion in July 2016. At June 2015, in addition to goods export activities, Foreign Exchange Earning Services such as tourism, health services, consultancy, software and engineering services, transportation and maintenance and repair services have been included in the programme's scope. The programme, which requires an export commitment, provides pre-shipment credits denominated in foreign currency and in Turkish Lira with a maturity of up to 360 days. For credit applications that are approved by the Bank, credits must be collateralised with avalised promissory notes or with transferrable letters of bank guarantee for 100 per cent. of the principal amount. This programme covers export transactions based on cash against goods, cash against documents and irrevocable letters of credit.

Tourism Credit Programme

The Tourism Credit Programme is designed to provide financial support to Turkish travel agencies, airline companies and tourism companies that are considered to be exporters. The Turkish government supports

this programme due to the significant foreign exchange revenues generated from tourism and has broadened the scope of the programme to support tourism-related businesses. The Bank extends Turkish Lira and foreign currency-denominated direct loans under this programme with a maximum maturity of 360 days (in two instalments) to travel agencies, tourism companies and airline companies authorised by the Ministry of Tourism and foreign currency-denominated loans for a maximum maturity of 540 days.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

The maximum amount that the Bank may lend annually per company was raised to U.S.\$25 million from U.S.\$15 million in 2013. Turkish Lira-denominated loans bear fixed rates of interest which the Bank typically sets below comparable rates offered by Turkish commercial banks whereas interest rates on foreign currency-denominated loans are calculated based on LIBOR plus a spread that varies depending on the maturity of the loan.

International Transportation Marketing Credit Programme

The International Transportation Marketing Credit Programme aims to provide short-term financing to international transportation companies which have certificates of authority for international transportation, in order to reduce the transportation cost of exporting companies. The maximum maturity is 360 days for Turkish Lira-denominated loans at interest rates determined by the Bank. The interest rates on such Turkish Lira-denominated loans are fixed rates, depending upon the size of loan. Interest rates for Turkish Lira and foreign currency-denominated loans are determined by the Bank in accordance with developments in money markets and vary as to repayment period and the company's borrowings. Furthermore, foreign currency-denominated loans are linked to LIBOR/EURIBOR/GBP LIBOR/TIBOR plus a spread that is determined based on the Bank's total FX funding cost and overhead charges and have a maximum maturity of 540 days.

Under this programme, the collateral mentioned under "*— Banking Activities — Short-Term Export Credits*" above is taken to provide 100 per cent. security against the possibility of payment default.

Credit Programme for Participating in Overseas Trade Fairs

The Credit Programme for Participating in Overseas Trade Fairs provides financing to companies authorised by the Ministry of Economy to arrange trade fair organisations and attend international fairs with the aim of increasing their market shares and therefore contributing to the development of Turkish exports. Unlike the Bank's other credit programmes, these credits are extended only in Turkish Lira with a maximum maturity of 360 days. The amount of credit is limited to 80 per cent. of the total expenditures of the proposed projects of the participant company and 30 per cent. of those of the organiser company. The lending limit under the programme varies from TL 200,000 to TL 2 million according to the licence of authority that the applicant company.

Under this programme, the collateral mentioned under "*— Banking Activities — Short-Term Export Credits*" above is taken to provide 100 per cent. security against the possibility of payment default. In addition, Bank also accepts the defined receivables of the companies at the Central Bank as collateral at the rate of 60 per cent.

Medium- and Long-Term Export Credits

Medium- and long-term export credit programmes are specific credit programmes available for export transactions that cannot be covered under the standard credit and guarantee programmes. The Bank has developed such programmes to support the export of goods and services along with turnkey projects to be undertaken by Turkish contractors in other countries. Loans under the Bank's medium- and long-term credit programmes accounted for, in the aggregate, 38 per cent., 37 per cent. and 35 per cent. of its total loans as at 31 December 2017, 2016 and 2015, respectively. Loans extended under the Bank's medium- and long-term export credits increased by 24 per cent. to U.S.\$8.1 billion in 2017, compared to U.S.\$6.5 billion in

2016, which in turn increased by 24 per cent. from 2015. These programmes involve the extension of credit as well as the providing of export insurance and guarantees and enable Turkish exporters and contractors to mitigate risk in conducting their business, which would otherwise be considered to be both politically and commercially difficult from a risk perspective. Certain loans extended under short-term credit programmes that have longer maturities are also classified as medium- to long-term loans. Brief descriptions of the Bank's main medium- and long-term credit programmes which are listed below follow:

- International Loans Programme
- International Project Loans Programme
- International Trade Finance Programmes
- Bridge Credit Programme for Overseas Contractor Services
- Letter of Guarantee Programme for Overseas Contractor Services
- Shipbuilding and Export Financing Programme
- Credit Programme for Foreign Currency Earning Services
- Overseas Chain Stores Investment Credit Programme
- Specific Export Credit Programme
- Trademark Credit Programme
- Export-Oriented Working Capital Credit Programme
- Export-Oriented Investment Credit Programme
- The Export Finance Intermediation Loan
- European Investment Bank Funded Credit Programme

The following table sets forth the amount of the outstanding balance for each of the Bank's medium- to long-term loan products and its proportion of the total outstanding loan balance as at 31 December 2017, 2016 and 2015.

	As at 31 December					
	2017	2016		2015		
	<i>(in thousands of TL, except percentages)</i>					
International Loans Programme.....	2,388,239	3.0%	1,734,455	2.8%	756,415	1.8%
Pre-Shipment Export Credits-TL.....	2,576	—	21,573	—	—	—
Pre-Shipment Export Credits-FX.....	2,642,519	3.3%	2,055,842	3.3%	1,414,855	3.3%
Export Preparation Credits Programme-TL	—	—	—	—	—	—
Export Preparation Credits Programme-FX	695,245	0.9%	370,415	0.6%	271,988	0.6%
SME Export Preparation Credits Programme-TL	1,369,263	1.7%	801,698	1.3%	655,555	1.5%
SME Export Preparation Credits Programme-FX	383,951	0.5%	356,688	0.6%	208,689	0.5%
EIB Funded Credit Programme	2,370,279	3.0%	1,799,696	2.9%	1,262,949	2.9%
World Bank Funded Export Finance Intermediary Loan	261,307	0.3%	306,157	0.5%	372,423	0.9%

	As at 31 December					
	2017		2016		2015	
Bridge Credit Programme for Overseas Contractors Service-TL	119,786	0.1%	117,540	0.2%	117,430	1.0%
Bridge Credit Programme for Overseas Contractors Service-FX	450,118	0.6%	439,809	0.7%	299,607	—
Export Oriented Working Capital Credits-TL	93,933	0.1%	223,019	0.4%	377,752	0.9%
Export Oriented Working Capital Credits-FX	10,332,037	12.9%	8,488,321	13.8%	6,533,652	15.1%
Other Specific Export Credit Programmes	9,336,084	11.6%	6,197,894	10%	3,023,944	7.0%
Total	30,445,337	37.9%	22,913,107	37.2%	15,295,259	35.5%

For all of the medium- and long-term credits, the Bank takes collateral to provide security against the possibility of payment default. The amount of the collateral is calculated as 100 per cent. of the sum of the risk of credit and export commitment defaults. For types of collateral accepted by the Bank, see “ — *Banking Activities — Short-Term Export Credits*”.

International Loans Programme

In line with Turkey’s foreign economic policy and goals, the Bank, under its International Loans Programme, which is a buyer’s credit/guarantee scheme, provides financial support for goods and services exported by Turkish firms. The main objectives of this programme are to establish long-term bilateral relations, to strengthen the competitiveness of Turkish exporters and contractors in international markets and to provide risk management options for their activities in those markets with high political and commercial risks.

Under this programme, the Bank has extended loans to public entities in borrowing countries and required sovereign guarantee of the borrowing country. However, in order to support commercial transactions in the private sector, the Bank has begun extending credit lines to creditworthy banks. Turkish companies are reimbursed by the Bank for the value of the goods and services exported from Turkey and the borrower’s account is debited. Loans under this programme are denominated mainly in U.S. Dollars and Euro.

The Bank’s countries of operations and credit ceilings are subject to the approval of the Cabinet of Ministers. Additionally, loans with a maturity of two years or more and in an amount of U.S.\$20 million or more are subject to the approval of the Minister responsible for the Undersecretariat of Treasury in accordance with Law No. 4749.

Political risk losses incurred by the Bank under its International Loans Programme are indemnified by the Turkish Treasury. Since the inception of the programmes in 1988, a total of U.S.\$685.5 million has been indemnified by the Turkish Treasury through cash transfer and deductions from its share of profit, together with U.S.\$263.3 million deducted from the collections of the relevant countries raising the total figure to U.S.\$948.8 million as at 31 December 2017. The last significant indemnity payment from the Turkish Treasury was received in 2017, stemming from collections in connection with loans to Sudan. Additionally, when the Bank extends concessional cash and non-cash export credits to foreign countries that the government has deemed strategically important to Turkey, the total income loss of the Bank is covered by the Treasury (currently there is no outstanding concessional credit).

The Bank follows the OECD Arrangement on Officially Supported Export Credits when extending buyer’s credits. The Bank’s current country limits are reflected in the table below.

	OECD Country Risk Categories 0 through	OECD Country Risk Category	OECD Country Risk Category	OECD Country Risk Category	OECD Country Risk Category	OECD Country Risk Category	Total
	2	3	4	5	6	7	
	<i>(U.S.\$ millions)</i>						
Group Limit.....	1,500	1,500	1,000	1,250	1,250	1,250	7,750
Country Ceiling.....	750	600	450	400	350	350	N/A

The OECD country risk classifications are widely used by export credit agencies and reflect an individual country’s risk in terms of its financial, political, economic situation and payment experience of the export credit agencies (of OECD Participants to the Arrangement) with the country. The Bank applies an aggregate limit for each category (or group of categories), in addition to the country ceiling which applies to each individual country within the relevant category (or group of categories).

In line with its policy of creating new credit products and better responding to the needs of its exporters and buyers, in 2014 the Bank restructured its International Loans Department into two separate directorates, “International Project Loans” and “International Trade Finance”, which provide types of buyer’s credit products.

International Project Loans Programme

Under the International Project Loans Programme, direct loans and guarantees are provided for projects undertaken by Turkish contractors abroad. The borrower under the loans can be either the public institutions under sovereign guarantee or reputable banks that are found acceptable to the Bank after a thorough financial diligence process.

The following table indicates the outstanding balance figures of the countries as at 31 December 2017:

Countries	Outstanding balance⁽¹⁾
	<i>(U.S.\$ millions)</i>
Cameroon	17.84
Belarus.....	14.75
Ghana	116.43
Ethiopia	300.00
Senegal ⁽²⁾	44.18
Sudan ⁽²⁾	7.78
Congo ⁽³⁾	81.33
Total	582.31

Notes:

- (1) The outstanding balance includes accrued interest. The outstanding balance was U.S.\$553.28 million as at 31 December 2017.
- (2) The loans in Senegal and Sudan are denominated in Euros and have been converted to U.S. Dollars at the applicable exchange rate as at 31 December 2017.
- (3) As at 31 December 2017, Congo was in default since the country did not pay the commitment fee, which in turn resulted in the amount shown above as the outstanding balance.

International Trade Finance Programmes

International Trade Finance is comprised of four different credit programmes:

Buyer’s Credits Through Foreign Banks

Within the scope of this programme, the Bank extends credit lines to foreign banks which seek to finance the import of Turkish goods which are considered to be acceptable to the Bank, in the form of a revolving loan agreement between the Bank, as lender, and the relevant foreign bank, as borrower.

Buyer's Credits Through Domestic Banks

Under this programme, the Bank provides pre-shipment and post-shipment finance to Turkish banks which seek to finance Turkish imports through their branches, subsidiaries and correspondent banks operating overseas.

Export Receivables Discounting Programme

This programme enables Turkish exporters to sell their goods on deferred payment terms and to encash their receivables before their due date(s) at the post-shipment stage. Within the scope of this programme, export receivables covered by the Bank's Specific Export Credit Insurance Policy, or which have arisen from the proceeds of a Letter of Credit issued or confirmed by the foreign bank who is allocated a credit limit by the Bank, are discounted. Under this programme, exporters assign their receivables arising from export transactions to the Bank, which in turn pays the receivable amount less the discount fee and the insurance premium to the exporter.

Buyer's Credit to Foreign States

The aim of the facility is to provide loans to foreign states for the import of Turkish goods from Turkey. Under this programme, the borrower of the International Loans, which is a buyer's credit scheme by nature, can be either the public institution/bank in the borrowing country nominated by the relevant host government pursuant to a sovereign guarantee or a bank designated pursuant to intergovernmental protocols.

The repayment periods under International Trade Finance Programmes are up to two years for the import of durable and non-durable consumer goods, and up to 10 years for the import of capital goods.

Bridge Credit Programme for Overseas Contractor Services

The Bridge Credit Programme for Overseas Contractor Services was put into effect in 2009 in order to minimise the effects of the financial crises in the international markets on the Turkish construction sector and to ensure the stability of their investments and competitive capacity in this market by keeping existing construction sites and mobilisation-engine parks operational.

The loans have maturities of either 360 days or 720 days for both foreign currency and Turkish Lira credits, with optional fixed or floating exchange rates.

Under this programme, the collateral mentioned under “— *Banking Activities — Short-Term Export Credits*” above is taken to provide 100 per cent. security against the possibility of payment default.

Letter of Guarantee Programme for Overseas Contractors' Services

The Letter of Guarantee Programme for Overseas Contractors' Services helps Turkish contractors to sustain their current market share in international markets and also encourages them to enter into new markets.

Turkish overseas contractors who participate in tenders abroad are provided letters of guarantee by the Bank under the counter-guarantee of Turkish commercial banks. Under this programme, the Bank issues a bid-bond, performance-bond and advance guarantee letter either directly or through another bank to cover the Turkish contractors' responsibilities for possible projects. The yearly commission rate is 0.5 per cent.

Shipbuilding and Export Financing Programme

The Shipbuilding and Export Financing Programme aims to support Turkish dockyards in increasing their current market share in international markets. Under this programme, Turkish companies involved in shipbuilding and/or exporting of ships are provided direct loans and/or letters of guarantee, in the form of advance payment guarantee letters and performance guarantee letters, so that they may obtain pre-financing either in advance or in instalments from the buyer or so that they can buy supplies and materials with payments having a fixed term.

Under this programme, the collateral mentioned above under “— *Banking Activities — Short-Term Export Credits*” is taken to provide 100 per cent. security against the possibility of payment default.

Direct loans extended in this programme have a maturity of up to 540 days for both foreign exchange and Turkish Lira credits with optional fixed or floating interest rates. The yearly commission rate for letters of guarantee under the programme is 0.5 per cent. The maximum amount that the Bank may lend under this programme is U.S.\$25 million.

Credit Programme for Foreign Currency Earning Services

The Credit Programme for Foreign Currency Earning Services aims to contribute to Turkey’s foreign exchange earnings. Credits are extended either in Turkish Lira or in foreign currency to companies residing in Turkey which engage in foreign currency earning services abroad or export of services.

Under this programme, the collateral mentioned under “— *Banking Activities — Short-Term Export Credits*” above is taken to provide 100 per cent. security against the possibility of payment default.

The loans under this programme have a maturity of up to 720 days for both foreign exchange and Turkish Lira credits with optional fixed or floating interest rates. The amount of short-term and medium-term disbursements of credit under this programme in 2017 was U.S.\$19.2 million and U.S.\$1.13 million, respectively.

Overseas Chain Stores Investment Credit Programme

The Overseas Chain Stores Investment Credit Programme supports direct sales of Turkish brand consumer goods in international markets and supports the promotion of Turkish brand names and Turkish designed goods abroad. The Bank also supports overseas investments by Turkish entrepreneurs for the establishment of shopping malls and chain stores in which various consumer goods may be offered for sale.

The loans are provided with a maximum maturity of seven years including a grace period of one or two years for both foreign exchange and Turkish Lira credits with optional fixed or floating interest rates. Disbursements of loans are made against related expense bills made before the disbursement. The maximum amount that the Bank may lend under this programme is U.S.\$25 million.

Under this programme, the collateral mentioned under “— *Banking Activities — Short-Term Export Credits*” above is taken to provide 100 per cent. security against the possibility of payment default.

Specific Export Credit Programme

The Specific Export Credit Programme is used to evaluate credit demands that are not subject to the standard credit programmes of the Bank. It is a medium-term pre-shipment financing facility provided to manufacturers/exporters for projects that generate foreign currency.

The Specific Export Credit Programme encourages the export of new products to new markets. Loans are provided with the terms and interest rates determined on a project-by-project basis.

Under this programme, the collateral mentioned under “— *Banking Activities — Short-Term Export Credits*” above is taken to provide 100 per cent. security against the possibility of payment default.

Trademark Credit Programme

The Trademark Credit Programme provides a long-term financing facility to companies operating in Turkey for activities such as the purchase of a foreign trademark and the purchase of a facility or store related to that trademark. The Trademark Credit Programme also supports efforts to improve the image of Turkish trademarks and goods abroad and to establish and expand Turkish trademarks overseas. The loans are provided only in foreign currency with floating interest rates; maturities of the relevant loans are either seven years or 10 years, including a grace period of two or three years, respectively.

Under this programme, the collateral mentioned above under “— *Banking Activities — Short-Term Export Credits*” is taken to provide 100 per cent. security against the possibility of payment default.

Export-Oriented Working Capital Credit Programme (Medium & Long-term Loans)

The Export-Oriented Working Capital Credit Programme provides exporters and export-oriented manufacturers of Turkish goods with the working capital necessary for their production.

The maturity for a working capital loan is a maximum of three years. Under this programme, the company limit is U.S.\$50 million. As at 31 December 2016 and 2017, the amount of disbursements under this programme was U.S.\$862.5 million and U.S.\$875.4 million, respectively.

Under this programme, the collateral mentioned above under “— *Banking Activities — Short-Term Export Credits*” is taken to provide 100 per cent. security against the possibility of payment default.

Export-Oriented Investment Credit Programme (Medium & Long-term Loans)

The Export-Oriented Investment Credit Programme provides financing for the purchase of machinery, equipment, fittings and other investments needed by Turkish goods export-oriented producers or manufacturers.

The maturity for an investment loan is either four, five, six or seven years with one or two years’ grace period (four different terms). Under this programme, the company limit is U.S.\$50 million. As at 31 December 2016 and 2017, the amount of disbursements under this programme was U.S.\$179.0 million and U.S.\$275.2 million, respectively.

Under this programme, the collateral mentioned under “— *Banking Activities — Short-Term Export Credits*” above is taken to provide 100 per cent. security against the possibility of payment default.

The Export Finance Intermediation Loan (EFIL-IV and LTEF) (Medium & Long-term Loans)

The EFIL-IV was created to support the ship/yacht-building and machinery manufacturing industries and put into effect by the agreement between the Bank and the International Bank for Reconstruction and Development (the “IBRD”).

The EFIL-IV is available for companies in the electric-electronic, automotive supplier and metalware industries in addition to the ship/yacht building and machinery manufacturing industries. The entirety of the funds provided by the IBRD has been allocated to firms in these industries.

Additionally, in June 2016, the Bank was provided with a U.S.\$300 million long-term export finance loan from the World Bank, of which U.S.\$60 million has been disbursed directly and U.S.\$240 million has been disbursed indirectly through intermediary financial institutions.

European Investment Bank Funded Credit Programme (Medium & Long-term Loans)

The European Investment Bank Funded Credit Programme was put into force within the scope of an agreement between the Bank and the European Investment Bank, and aims to provide longer term working capital loans and to increase fixed capital investments realised by SMEs operating in the manufacturing industry and the logistics and tourism sectors.

Under this programme, the collateral mentioned above under “— *Banking Activities — Short-Term Export Credits*” is taken to provide 100 per cent. security against the possibility of payment default.

Insurance

The Bank insures export receivables against commercial and political risks within certain limits by means of export credit insurance programmes, one of the Bank’s main areas of activity. Commercial risks are those risks associated with the buyer’s ability to pay, such as the buyer’s insolvency or non-acceptance of the goods. Political risks are those associated with government policies, such as transfer restrictions, foreign exchange restrictions or war.

The Bank offers both short-term export credit insurance, which insures all shipments to be made by a Turkish exporter within one year, and medium- and long-term insurance, which insures exports and investments by Turkish companies that are financed over a term exceeding one year. Within the framework of the Bank's short-term export credit insurance programme, the percentage of coverage is up to 90 per cent. for losses due to political and commercial risk with payment up to 360 days. The insurance provided under this programme is a comprehensive cover including optional pre-shipment period (maximum 180 days) coverage, whereby post-shipment coverage is compulsory for the relevant applicants. The short-term export credit insurance programme also enables exporters to obtain funding from commercial banks and the Bank itself, since the policy proceeds are assignable. The Bank's export insurance programmes (which are discussed in more detail below) are as follows:

- Short-Term Export Credit Insurance Programme
- Short-Term Domestic Credit Insurance Programme
- Medium- and Long-Term Insurance Facilities
- Specific Export Credit Insurance Pre-Shipment & Post-Shipment Risk Programmes
- Insurance Programme for Unfair Calling of Bonds
- Overseas Contractors' Services Political Risk Insurance

The following table sets forth the income and expenses from the Bank's export credit insurance programmes for each of the years ended 31 December 2017, 2016 and 2015.

	For the year ended 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Income:			
Premium Income	165,000	107,323	85,211
Credit Limit Appeal Fees.....	5,037	4,913	2,973
Policy Issuing Fees	971	784	604
Insurance Commissions from Reinsurance Companies...	35,831	23,788	23,866
Collections from Overdue Premium Receivables.....	181	133	33
Collections from Claims Paid.....	122	95	8
Total Income	207,143	137,036	112,715
Expense:			
Premiums Paid to Reinsurance Companies	89,788	58,063	50,857
Adjustments for premium Incomes of past years	104	60	699
Claims Expense (Indemnifications).....	3,272	4,813	2,364
Legal expenses (case, court and attorney fees).....	751	502	323
Information Gathering Expenses	11,407	8,504	6,572
Total Expense	105,322	71,942	60,815

For export credit insurance covering political and commercial risk, the exporter is charged a premium according to the risk classification of the buyer's country (if any), terms and conditions of payment, and type of buyer (sovereign or private). Under Article 4(C) of the Law, which established the Bank, the

Treasury is obligated to meet any losses incurred by the Bank in its credit, insurance and guarantee transactions as a result of political risks. Since the indemnity to the Bank from the Undersecretariat of Treasury solely relates to political risk, the losses due to commercial risk are borne by the Bank. However, financial reinsurance agreements have been established with re-insurance companies on the basis of a quota-share treaty to transfer a major portion (currently 60 per cent.) of the commercial risks out of 90 per cent. shipment coverage borne by the Bank under the Short-Term Export Credit Insurance Programme. In addition, the Bank also reinsures 60 per cent. of the underwritten short-term political risks in the case of exports to non-OECD countries within specific country limits agreed to with reinsurance counterparties since the beginning of 2000. The Bank also reinsures commercial and political risks assumed in medium- and long-term insurance cover.

The following table sets forth the amount of insurance underwritten by the Bank under its export credit insurance programmes for the years ended 31 December 2017, 2016 and 2015 and the change from the comparable prior period.

	Year ended 31 December					
	2017	% change 2017/2016	2016	% change 2016/2015	2015	% change 2015/2014
	<i>(in thousands of U.S.\$, except percentages)</i>					
Export credit insurance underwritten ...	15,603,158	38%	11,038,731	10%	10,072,128	(8)%

Source: Internal accounts.

Short-Term Export Credit Insurance Programme

The Short-Term Export Credit Insurance Programme applies to goods exported by Turkish companies and is available to all Turkish exporters. Under this programme, all shipments to be made by a Turkish exporter within one year and with payments deferred up to 360 days may be insured by the Bank against commercial and political risks under the buyer limits set by the underwriting department of the Bank. A one-time fee is levied during the application for insurance, with the amount varying depending upon the type of entity (FTC, SFTC, joint stock company, etc.) seeking insurance. The premium rates vary according to the risk classification of the buyer's country, the terms and conditions of payment and the nature of the buyer (public/private). Currently, premiums range from 0.02 per cent. to 4 per cent. of the value of the shipment. The policy proceeds are assignable for financing purposes.

In order to encourage use of this programme, the Bank provides policyholders a reduction on the interest rates charged in connection with the Bank's short-term export credits. A single premium levied by the Bank covers both political and commercial risks.

Short-Term Domestic Credit Insurance Programme

The Short-Term Domestic Credit Insurance Programme is intended for Turkish exporters and group companies. Following a decision by the Board of Directors dated 25 June 2013, a pilot programme was initiated in 2013. The Bank secures the receivables of exporters and group companies, with a maturity of up to 360 days, for shipments arising from their domestic operations against commercial risk within the limits of the programme. As at 31 December 2017, 129 companies had benefited from this service and the Bank insured shipments amounting to U.S.\$2.16 billion and going to 10,616 buyers. In the year ended 31 December 2017, the Bank collected premiums worth U.S.\$6.7 million against shipments included in insurance.

Medium- and Long-Term Insurance Facilities

The medium- and long-term insurance facilities include export credit insurance for commercial and political risks for periods in excess of one year.

Specific Export Credit Insurance Pre-Shipment & Post-Shipment Risk Programmes

The Specific Export Credit Insurance Post-Shipment Risk Programme, introduced in 1990, provides insurance cover against commercial and political risks for the export of Turkish origin goods which are sold on credit terms as defined in the OECD's Arrangement on Officially Supported Export Credits. This is a single buyer insurance programme providing cover against political and commercial risks for the post-shipment stage. The cover is up to 95 per cent. of the sum insured. The Specific Export Credit Insurance Pre-Shipment Risk Programme was implemented in 2016. Expenses directly incurred by exporters during the pre-shipment period are insured against commercial and political risks.

Insurance Programme for Unfair Calling of Bonds

The Insurance Programme for Unfair Calling of Bonds covers the risk of unfair calling of bonds (bid bonds, advance payment bonds and performance bonds) issued by Turkish commercial banks on behalf of Turkish contractors in favour of public buyers for overseas projects undertaken by Turkish contractors.

Overseas Contractors' Services Political Risk Insurance Programme

The Overseas Contractors' Services Political Risk Insurance Programme provides insurance to Turkey's contractors against the losses they may incur due to political risks such as the inability to receive progress payments, the confiscation of machinery and equipment, the restriction of foreign currency transfers, war, civil war and insurrections.

Equity Investments

As at the date of this Base Prospectus, the Bank has no subsidiaries. It has an equity interest in two Turkish companies: a 9.78 per cent. shareholding in Garanti Faktoring Hizmetleri A.Ş., a factoring company, which it holds in order to promote the development of the factoring business in Turkey, and a 1.54 per cent. shareholding in Kredi Garanti Fonu A.Ş., which was established to support SMEs by providing a guarantee for their financing. The Bank currently does not categorise such equity investments as available-for-sale securities and the Bank closely monitors the market value of the Garanti Faktoring Hizmetleri A. Ş shares. In 2013, in accordance with the completion of the share transfer envisaged under the Capital Markets Law (Law No. 6362), the Bank acquired a 0.037 per cent. interest in Borsa Istanbul A.Ş., becoming one of its members.

Real Estate Holdings

The Bank operates out of its headquarters in Istanbul and eleven branches located in Ankara, Izmir, Gaziantep, Kayseri, Konya, Antalya, Bursa, Gebze, Denizli, Adana and Istanbul (European Side). The Bank also has nine liaison representative offices located in Samsun, Trabzon, Hatay, the Kemalpaşa Organised Industrial Zone, the Eskişehir Chamber of Commerce Liaison Office, the Kahramanmaraş Chamber of Commerce Liaison Office, the Aegean Region Chamber of Industry, the Manisa Organised Industrial Zone and the Çerkezköy Organized Industrial Zone. The Bank's branch office and its liaison offices are based in the most industrialised provinces in Turkey with the highest export potential.

The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2018. See “— *Strategy — Support diversification of export markets and products*”.

Currently, the Bank owns six apartments, which it uses to provide housing to some of its employees.

Employees

The following table sets forth the total number of employees of the Bank (including its directors) as at 31 December 2017, 2016, and 2015.

As at 31 December

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total employees.....	635	631	541

In the year ended 31 December 2017, in line with the planned growth of the Bank, the Bank recruited 49 personnel, particularly for IT, loan/insurance allocation, loan/insurance marketing, sales and domestic services.

The Bank provides its employees with extensive training (in-house and through external institutions) in order to enhance their skills, including computer literacy, and to ensure that they keep abreast of developments in their fields.

All employees who retire, or whose employment is terminated without cause, are entitled under Turkish legislation to lump sum payments. Such payments are based on the number of years of service and the final salary at the date of retirement or leaving. In addition, the Bank self-insures the health care costs of all of its employees and provides housing or a housing allowance to its employees. Management believes that current relations with its employees are satisfactory. None of the Bank's employees is unionised and the Bank has no history of work stoppages or workplace disturbances.

Information Technology

The Bank's information technology management seeks to provide, deliver, maintain and support the Bank with secure and updated technology and systems. It comprises two departments: the Technological Infrastructure and Software Development and Business Innovation. It has nearly 50 employees in total, the majority of whom are graduates of IT-related disciplines.

The Bank's information system consists of a core banking application running on an Oracle Database, an online banking system that enables customers to manage their insurance and credit operations over the internet and a document management system based on three different server platforms running on Unix and Windows operating systems. It also uses SAP Treasury and Risk Management platform for its treasury and funding operations. The Bank has recently upgraded its database system and virtual server and storage systems, which are regularly backed-up by the Bank's disaster recovery site in accordance with the Bank's business continuity plan.

In light of its strategic goals, including the recent expansion of its branch network, the Bank undertook a number of IT related infrastructure projects, with the aim of establishing a web-based, mobile-enabled, business process-based and secure connection including wide bandwidth between the Bank's headquarters and its branches.

The Bank has started to move its core banking technologies from an Oracle and reports based structure to a Business Process Management ("BPM") structure using an IBM BPM tool. Through new credit software released in November 2016, existing credit software applications were transformed into a single web and workflow-based application. In addition to new credit software, the Bank has also started to renew its insurance software platform with service-oriented architecture using Agile methodologies to provide more effective and reliable systems for domestic and international insurance needs; the planned launch date of this project is before the end of 2018. The Bank renewed its commercial website with the purpose of providing a more user-friendly and interactive platform in January 2018, and, at the same time, a dedicated team at its export support centre has been organised to enhance customer satisfaction by giving fast and effective support to existing and potential customers via telephone.

The Bank considers protection of information to be its high priority and uses trusted systems and products (such as Fortigate Internal Firewall, Symantec Endpoint Protection, Web Application Firewall, Fortimail (Mail Security Gateway) and Checkpoint External Firewall) to ensure a high level of information security. Both the Bank's external and internal (i.e. between the Bank's main office and branch and liaison offices) communications are made using redundant and secure connections. There are also several secure virtual private network connections to the Central Bank, the Istanbul Stock Exchange Market and SWIFT payment systems. All of the Bank's employees are well informed about information security issues and regular information security tests are conducted under the supervision of the BRSA.

The Bank's Information Technology Department is under the supervision of the BRSA in accordance with the Control Objectives of Information and Related Technology ("COBIT") framework. The Bank's information technology processes are organised according to this framework and the Bank has approved well-defined processes for information security, strategic planning, risk management, problem and incident management, service management and change management.

Legal Proceedings

The Bank is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Bank.

As at 31 December 2017, 176 cases with amounts in dispute totalling TL 13,422,576, U.S.\$49,149 and €31,290 have been filed against the Bank. The substantial majority of these lawsuits have been brought by former employees of the Bank (156 lawsuits out of the 176 ongoing lawsuits). Ten of the remaining lawsuits are in respect of insurance benefits and one arose from a transaction under the Iraq credit programme. No provision has been made in respect of the outstanding lawsuits as at 31 December 2017, as professional advice indicated that it was unlikely that any significant loss would arise.

The Bank currently has no outstanding disputes with tax authorities.

RISK MANAGEMENT

The purpose of asset and liability management is to monitor and control the size and concentration of risk arising from interest rate sensitivity, exchange rate sensitivity and liquidity. The principal categories of risk inherent to the Bank's business are market risk, credit risk, liquidity risk and operational and legal risk. The Bank's risk management policy is designed to identify and analyse the above mentioned risks, set appropriate limits, and continually monitor these risks and limits by means of management information systems. In addition, the Bank periodically evaluates its risk management policies and systems to determine if they need to be modified in order to reflect changes in markets and products.

The Supreme Advisory and Credit Guidance Committee, the Board of Directors, the Executive Committee and the Credit Committee all play a role in shaping the Bank's risk management policy and procedures. The Supreme Advisory and Credit Guidance Committee approves the upper limits of credits to be extended, guarantees to be issued and insurance transactions to be implemented by the Bank according to either total amount or countries and product groups. The Board of Directors must observe these limits. For short-term lending, the Credit Committee meets on a weekly basis to approve loan applications. For medium- and long-term lending, the loan application must be approved by the Board of Directors.

The Bank's short and medium- and long-term credit programme are carried out with respect to financial conditions (terms, interest rates, collaterals, etc.) and procedures approved by the Board of Directors. Cost of funds, maturity of the transaction, structure of the collateral and variation of the market interest rates are taken into consideration and the Bank's mission to provide financing opportunities with costs leading the exporters to gain competitive advantages in the existing markets and risky/new countries is also considered during the pricing process of the loans.

Strategy in using financial instruments

The objective of the Bank's asset and liability management and use of financial instruments is to limit the Bank's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has sufficient capital. The Board of Directors of the Bank sets risk limits and parameters in relation to international loans with maturities of more than two years and in an amount less than or equal to U.S.\$20 million. For transactions of more than two years or in an amount greater than U.S.\$20 million, authority is delegated to the Deputy Prime Minister in charge of the Bank.

As at 31 December 2017, the Bank's loan portfolio constituted 94 per cent. of its total assets, as compared to 90 per cent. and 97 per cent. as at 31 December 2016 and 2015. The Bank is exposed to the risk of the Turkish banking system with regards to short-term, medium-term and long-term lending (other than fund-sourced and international loans). Political risks in relation to medium-term and long-term international loans, however, are under the political risk guarantee of the Turkish Treasury.

While the majority of the Bank's loans are at floating rates, its loan portfolio also includes fixed rate foreign currency loans. In accordance with its mission, the Bank strives to match the cost of its funding to interest rates charged on its foreign currency loans. Loans denominated in Turkish Lira are funded by equity and loans from the Central Bank.

Credit risk

Credit risk is the risk that a counterparty to a financial contract with the Bank will fail to perform according to the terms and conditions of the contract and cause the Bank to suffer a loss. This risk arises from the Bank's financing and investment activities. The Bank has established a system for approving, monitoring and controlling such risk as described below. Although the Bank actively seeks to manage and mitigate credit risk considerations, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

According to article numbered 25 of the decree (regulating the “Articles of Association” of the Bank) of the Council of Ministers numbered 2013/4286 and dated 28 January 2013, the scope of the annual operations of the Bank is determined by the Bank’s Annual Programme, which is approved by the Supreme Advisory and Credit Guidance Committee (“SCLGC”). The SCLGC is currently chaired by the Deputy Prime Minister and is comprised of senior economic officials and executive managers of the bank. The Board of Directors of the Bank is authorised to allocate the risk limits for loans, guarantees and insurance by country, sector and commodity groups, within the principles set by the Annual Programme. The Bank’s loan and risk departments monitor the risks and limits of companies and banks on a weekly and monthly basis.

Pursuant to the Banking Law (Law No. 5411) and the Decree, the Credit Committee is responsible for approving credit allocations under the supervision of the Board of Directors. Short-term Turkish Lira and foreign currency credit applications equalling less than 1 per cent. of the Bank’s shareholders’ equity are submitted by the Credit Department for evaluation and approval by the Credit Committee. In the event that the decision is made with the majority of the members of the Credit Committee, it needs to be approved by the Board of Directors. However, if the decision is made unanimously, then approval by the Board of Directors is not necessary. The General Manager Credit Committee is vested with the authority to issue credit within this threshold provided the credits are 100 per cent. guaranteed by first-class warranties (e.g., letters of guarantees issued by other banks, surety and guarantees, domestic bank confirmations to an irrevocable letter of credit, KGF guarantees, etc.) The Credit Committee meets at least once weekly. For more information on the Credit Committee, see “*Management — Credit Committee*”.

In accordance with the collateralisation policy of the Bank, the Bank is exposed to the risks of short-term loans to domestic banks. The cash and non-cash limits on domestic banks for short-term and medium- and long-term credits are approved by the Board of Directors. In addition, all of the foreign exchange denominated operations and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors.

The risk limits of the international loans are determined by the annual programme of the Bank which are approved by the SCLGC, in accordance with foreign economic policy priorities of Republic of Turkey. According to the Article 10 of Act no. 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management, international loans with a tenor of 2 years or more are granted with the approval of the Board of Directors of the Bank and the approval of the Minister in charge of Turkish Treasury. However, according to the Council of Ministers’ Decree no. 2013/5148 published in the Official Gazette dated 31 July 2013 and numbered 28274, for such transactions with a tenor of two years or more, the Board of Directors of the Bank has been authorised to grant international loans under its sole discretion up to (including) U.S.\$20 million. The fundamental collaterals of international loans are the sovereign guarantee of the related borrower country or the guarantee of the banks that are acceptable to the Bank. The limit of a country is restricted by both “maximum risk that can be undertaken” and the “maximum amount that can be utilised annually”.

The Bank regularly reviews various reports of the OECD country risk classification, reports of the members of the International Union of Credit and Investment Insurers (Berne Union), reports of independent credit rating institutions, the financial statements of the borrower banks, and the country reports prepared by the Bank, during the assessment and review of the foreign country loans granted.

Each year a major portion of the commercial and political risks related to the Short Term Export Insurance Programme is transferred to international reinsurance companies under renewed agreements. According to the Article of Act no. 3332 that was appended by Act no. 4749 regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury. The Bank holds a portion of the commercial risks (currently 40 per cent.) that can be indemnified from its own sources.

Short-Term Export Credit Insurance premium rates differ according to criteria such as risk classification of the buyer’s country, payment terms, credit length and the legal status of the buyer (private/public). The premium rates increase as the risk classification of the buyer’s country is higher and/or as the payment terms are longer. The premium rates are revised regularly and are valid after the approval of the Board of Directors. The quotation strategy, which is the basis of determining the premium rates, is generated taking into account domestic market conditions, international quotations of export credit insurance services and the size of the past years’ accumulated losses.

Intermediary Bank Loan Application and Approval Process

Borrowers eligible for the Bank’s Pre-shipment Export Credits may apply through an appointed commercial bank. Currently, the Bank has granted approval for 35 Turkish commercial banks to offer these credits. Applications are reviewed by the commercial bank and approved applications are forwarded to the commercial bank’s designated branch which in turn forwards them to the Bank for review.

If loans are approved, both the borrower and the intermediary bank will receive notification. The notification specifies the loan interest rate together with repayment terms. After the disbursement is made to the designated branch of the intermediary bank, the bank is supposed to transfer the funds to the exporting client’s account on the same day. Beginning from the date of disbursement of the loan to the designated branch of the intermediary bank, the borrower is obliged to fulfil its export commitment within the credit period. The borrower must provide proof upon repayment of the loan that it has fulfilled its export commitment by providing the intermediary bank with a copy of its export declaration. If the exporter cannot prove that it exported the products against which the funds were lent, the exporter must pay a penalty, plus the banking and insurance transaction tax and other fees.

Direct Lending

Credit approval is centralised in the Credit Committee which meets weekly to decide on direct loan applications.

In 2017, the Bank implemented a new internal credit rating and scoring system under which it commenced preparation of Company Evaluation Reports (“TDRs”) and consolidated evaluation reports on group companies. TDRs consists of two main parts, financial and non-financial quality assessments. The financial assessment focuses on the average ratios of each business sector, which are published by Central Bank. The non-financial assessment focuses on other factors, including payment behaviour of the relevant company, its affiliated companies and shareholders, age of the company and business experience of the shareholders, management capability, external effects such as foreign exchange risk, sectoral and political risks, working conditions and relations with suppliers, buyers and financial institutions.

Based on these and other criteria, the Credit Committee determines the structure of collateral required for each loan. Direct lending is generally secured by fundamental collateral in an amount of 100 per cent. of the principal, interest and the export commitment risk of the loan. Fundamental collateral is generally in the form of letter of bank guarantees, government securities and KGF guarantees.

Credit limits are monitored internally by the risk analysis department and the relevant department administering the programme under which the credit was extended through the Bank’s IT systems. The following table sets forth the Bank’s company credit limits for each of its short-term export credit programmes described in “*Business—Banking Activities—Short-Term Credits*”:

Credit Programme	Limit
	<i>(in millions of U.S.\$)</i>
PSEC (TL and FX)	25

Credit Programme	Limit
	<i>(in millions of U.S.\$)</i>
Export Preparation Credit Programme (TL and FX)	25
Short-Term Export Receivables Discount Programme (TL and FX)	
– Foreign Trade Companies ⁽¹⁾	400
– Other Companies	350
Tourism Credit Programme	25
International Transportation Marketing Credit Programme	25

Note:

(1) For the Foreign Trade Companies Export Credit Programmes, different limits are granted to each company.

The Bank's credit rating system

Risk assessment of banks and other financial institutions

The Bank requests an independent auditor's report (over financial statements and notes) and net foreign currency position from banks and other financial institutions on a quarterly basis. Financial statement information derived from the audited financial statements of banks and other financial institutions is recorded into a database in a standard format, and percentage changes and ratios with respect to capital adequacy, asset quality, liquidity and profitability of the banks and other financial institutions are calculated. In addition, the standard ratios for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically taking into consideration the operations of the banking groups and acceptable intervals for standards ratios are set.

In accordance with standard ratios, the financial analysis groups are established by assigning grades from 1 to 4 to banks and other financial institutions. Group grade 1 consists of the lowest risk profile banks and financial institutions and group grade 4 consists of the highest risk profile banks and financial institutions.

In accordance with the financial analysis group of the banks and other financial institutions, the final risk groups are determined by considering qualitative factors such as shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and also information obtained from the media.

As at 31 December 2017, 2016 and 2015, loans granted by the Bank to domestic banks and other financial institutions amounted to TL 8.0 billion, TL 6.6 billion and TL 5.2 billion, respectively. The following table sets forth information on the risk rating classes of loans and advances to banks and financial institutions in accordance with the Bank's analysis as at 31 December 2017, 2016 and 2015.

		As at 31 December		
		2017	2016	2015
Rating Class		Concentration level		
		%		
Low	1-2	76	65	67
Medium	3	21	23	25
High	4	3	12	8

Risk assessment of companies

In the risk evaluation of the companies, the Bank obtains financial and organisational information both from the companies and also from various sources (such as Central Bank records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Ministry of Economy, the Company Credit Bureau, the Banks Association of Turkey-Risk Center and, banks and companies operating in the same sector) and uses comprehensive investigation and verification methods. In addition to the analysis of the last three year financial statements of the companies, the Bank also analyses the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets and the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. In case the company is a member of a group of companies not organised as a holding company, the developments that affect the group's operations are monitored; outstanding bank debts of the group are also assessed; and company analysis reports are prepared taking into account the group risk as well. While third-party credit ratings or credit scores are available for some of the largest Turkish companies, they are typically not available for most Turkish companies.

The following table sets forth the classification and allowance percentages of the Bank's loans and advances to customers as a percentage of gross loans and advances to customers as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	<i>(in percentages)</i>		
Standard loans	99.02	99.25	99.51
Loans under close monitoring	0.61	0.38	0.19
Loans under legal follow-up	0.37	0.37	0.30
Total	100.0	100.0	100.0

Credit exposures

The following table sets forth the Bank's maximum exposure to credit risk, including on- and off-balance sheet items, as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Credit risk exposures relating to on-balance sheet assets:			
Banks	2,082,401	2,518,048	164,402
Interbank Money Market Placements	831,691	368,160	—
Loans to Domestic banks and other financial institutions	8,437,884	6,637,509	5,229,118
Loans to Foreign banks and other financial institutions ..	2,294,529	1,710,880	742,691
Loans to Companies and Individuals.....	69,436,189	53,172,072	37,187,317
Financial Assets at Fair Value Through Profit or Loss	11,710	10,678	10,593

	As at 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Trading Derivative financial assets.....	15,553	118,603	3,712
Held-to-maturity.....	180,461	98,549	255,968
Fair Value Hedge.....	420,031	420,031	75,960
Cash Flow Hedge.....	40,280	40,280	29,178
Other assets.....	21,124	21,124	18,051
Credit risk exposures relating to off-balance sheet items:			
Financial guarantees.....	6,241,263	3,863,578	2,754,481
Commitments.....	—	—	—
Total.....	89,695,605	68,979,512	46,576,609

The following tables set forth the geographical distribution of the Bank's on-balance sheet assets exposed to credit risk as at 31 December 2017 and 31 December 2016:

Risk Groups as at 31 December 2017(*)

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Collateralized with Real Estate	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securitization Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Shares	Other Receivables (net)	Total
Current Period																		
Domestic	2,248,695	—	—	—	—	20,926,751	78,356,765	3,900,704	242,436	102,502	—	—	—	—	—	30,318	1,179,662	106,987,834
European Union Countries.....	—	—	—	—	—	1,053,924	2,544,748	386,839	—	—	—	—	—	—	—	—	—	3,985,511
OECD Countries.....	—	—	—	—	—	1,246	367,792	37,308	—	—	—	—	—	—	—	—	—	406,346
Offshore Banking Regions.....	—	—	—	—	—	—	122,697	26,535	—	—	—	—	—	—	—	—	—	149,232
USA, Canada	—	—	—	—	—	898,527	280,772	27,559	—	—	—	—	—	—	—	—	—	1,206,858
Other Countries.....	2,178,049	—	—	—	—	71,434	1,175,503	140,638	—	—	—	—	—	—	—	—	—	3,565,624
Affiliate, Subsidiary and Jointly Controlled Partnerships	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Undistributed Assets/Liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total.....	4,426,744	—	—	—	—	22,951,882	82,848,277	4,519,583	242,436	102,502	—	—	—	—	—	30,318	1,179,662	116,301,405

Risk Groups as at 31 December 2016

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Collateralised with Real Estate	Non-Performing Receivables (Net)	Stock Investments	Other Receivables (Net)	Total
<i>(in thousands of TL)</i>									
Domestic.....	2,240,500	20,475,314	56,794,099	2,775,441	16,392	89,303	21,124	2,695,177	85,107,350
European Union Countries ⁽¹⁾	—	1,817,088	1,514,725	466,366	—	—	—	—	3,798,179
OECD Countries ⁽¹⁾	—	6,769	195,465	48,711	—	—	—	—	250,945
Offshore Banking Regions.....	—	—	97,003	26,725	—	—	—	—	123,728
USA, Canada.....	—	55,159	188,268	28,822	—	—	—	—	272,249
Other Countries.....	1,615,901	24,536	727,598	152,613	—	—	—	—	2,520,648
Affiliate, Subsidiary and Jointly Controlled Partnerships.....	—	—	—	—	—	—	—	—	—
Undistributed Assets/Liabilities ⁽²⁾	—	—	—	—	—	—	—	—	—
Total	3,856,401	22,378,866	59,517,158	3,498,678	16,392	89,303	21,124	2,695,177	92,073,099

Notes:

- (1) EU countries, OECD countries except USA and Canada
- (2) Assets and liabilities allocated to groups without a consistent basis

The following tables set forth the sectoral distribution of the Bank's on-balance sheet assets exposed to credit risk, as at 31 December 2017 and 31 December 2016:

Sectoral distribution of loans as at 31 December 2017

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-Performing Receivables (Net)	Stock Investments	Other Receivables (Net)	TL	FX	Total
<i>(in thousands of TL)</i>											
Sectors and third parties	—	—	—	—	—	—	—	—	—	—	—
Agriculture.....	—	832.620	7.339.841	367.884	21.255	9.740	—	—	953.146	7.618.194	8.571.340
Farming and Livestock.....	—	571.194	5.035.285	252.376	14.581	6.682	—	—	653.878	5.226.240	5.880.118
Forestry.....	—	171.130	1.508.571	75.612	4.369	2.002	—	—	195.901	1.565.782	1.761.683
Fishery.....	—	90.296	795.985	39.896	2.305	1.057	—	—	103.367	826.172	929.539
Industry.....	—	5.066.405	44.662.144	2.238.529	129.335	59.265	—	—	5.799.787	46.355.891	52.155.678
Mining and Quarry Sector.....	—	—	—	—	—	—	—	—	—	—	—
Manufacturing Industry.....	—	4.512.266	39.777.216	1.993.690	115.189	52.783	—	—	5.165.435	41.285.709	46.451.144
Electric, Gas and Water.....	—	554.139	4.884.928	244.839	14.146	6.482	—	—	634.252	5.070.182	5.704.534
Construction.....	2.178.050	540.812	4.767.447	238.951	32.553	6.326	—	—	619.097	7.145.042	7.764.139
Services.....	—	15.094.408	16.785.815	841.329	48.609	22.274	30.318	—	5.095.348	27.727.405	32.822.753
Wholesale and retail trade.....	—	534.234	4.709.462	236.045	13.638	6.249	—	—	611.567	4.888.061	5.499.628
Hotel and Restaurant Services.....	—	—	—	—	—	—	—	—	—	—	—
Transportation and Communications.....	—	1.336.753	11.783.947	590.628	34.124	15.637	—	—	1.530.253	12.230.836	13.761.089
Financial institutions.....	—	13.190.252	—	—	—	—	30.318	—	2.915.556	10.305.014	13.220.570
Real Estate and Leasing Services.....	—	—	—	—	—	—	—	—	—	—	—
Real Estate and Leasing Services.....	—	—	—	—	—	—	—	—	—	—	—
Training Services.....	—	—	—	—	—	—	—	—	—	—	—
Health and Social Services.....	—	33.169	292.406	14.656	847	388	—	—	37.972	303.494	341.466
Other.....	2.248.694	1.417.637	9.293.030	832.890	10.684	4.897	—	1.179.663	2.051.859	12.935.636	14.987.495
Total	4.426.744	22.951.882	82.848.277	4.519.583	242.436	102.502	30.318	1.179.663	14.519.237	101.782.168	116.301.405

Sectoral distribution of loans as at 31 December 2016

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-Performing Receivables (Net)	Stock Investments	Other Receivables (Net)	TL	FX	Total
<i>(in thousands of TL)</i>											
Sectors and third parties	—	—	—	—	—	—	—	—	—	—	—
Agriculture	—	754,426	5,990,054	290,755	—	9,482	—	—	896,647	6,148,070	7,044,717
Farming and Livestock	—	542,557	4,307,841	209,101	—	6,819	—	—	644,838	4,421,480	5,066,318
Forestry	—	127,622	1,013,301	49,185	—	1,604	—	—	151,680	1,040,032	1,191,712
Fishery	—	84,247	668,912	32,469	—	1,059	—	—	100,129	686,558	786,687
Industry	—	4,040,818	32,083,639	1,557,325	—	50,797	—	—	4,802,578	32,930,001	37,732,579
Mining and Quarry Sector	—	—	—	—	—	—	—	—	—	—	—
Manufacturing Industry	—	3,705,254	29,419,296	1,427,999	—	46,578	—	—	4,403,754	30,195,373	34,599,127
Electric, Gas and Water	—	335,564	2,664,343	129,326	—	4,219	—	—	398,824	2,734,628	3,133,452
Construction	1,615,901	486,878	3,865,761	187,643	16,392	6,120	—	—	578,663	5,600,032	6,178,695
Services	—	15,988,621	12,449,323	604,284	—	19,711	21,124	—	4,405,136	25,677,927	29,083,063
Wholesale and retail trade	—	453,996	3,604,672	174,969	—	5,707	—	—	539,581	3,699,763	4,239,344
Hotel and Restaurant Services	—	—	—	—	—	—	—	—	—	—	—
Transportation and Communications	—	1,084,363	8,609,731	417,912	—	13,632	—	—	1,288,785	8,836,853	10,125,638
Financial institutions	—	14,420,675	—	—	—	—	21,124	—	2,541,605	11,900,194	14,441,799
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—	—	—
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—	—	—
Training Services	—	—	—	—	—	—	—	—	—	—	—
Health and Social Services	—	29,587	234,920	11,403	—	372	—	—	35,165	241,117	276,282
Other	2,240,500	1,108,123	5,128,381	858,671	—	3,153	—	2,695,177	1,224,227	10,809,818	12,034,045
Total	3,856,401	22,378,866	59,517,158	3,498,678	16,392	89,303	21,124	2,695,177	11,907,251	80,165,848	92,073,100

Impairment and provisioning policies

The Bank reviews its loan portfolios to assess impairment on a quarterly basis and, while it is not required to comply with BRSA loan impairment requirements, it voluntarily follows the BRSA requirements in all respects in the Statutory Financial Statements.

The Bank has not set aside general provisions since September 2013 because it believes that its current level of general provisions is appropriate for the level of credit risk to which the Bank is exposed.

For insurance activities, the Bank additionally sets aside fixed collateral for the amount determined by the approval of the relevant Minister and variable collateral out of the definite rate of the premium income. In case of claims payments, the Bank sets aside specific provisions based on the coverage rate indicated in the insurance policy out of quota Bank's share.

The following table sets forth information on the Bank's loans and advances to customers by credit status, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
<i>(in thousands of TL)</i>						
Standard loans	79,669,309	10,081	61,278,334	9,297	43,070,241	7,569
Loans under close monitoring	489,212	—	232,830	—	81,316	—

As at 31 December

	2017		2016		2015	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
			<i>(in thousands of TL)</i>			
Loans under legal follow-up	294,231	—	233,087	—	131,688	—
Gross.....	80,452,752	10,081	61,744,251	9,297	43,283,245	7,569
Special Provision	(191,729)	—	(143,784)	—	(131,688)	—
Net.....	80,261,023	10,081	61,600,467	9,297	43,151,557	7,569

As at 31 December 2017, 2016 and 2015, the Bank did not have any repossessed collateral.

Market risk

Market risk can be defined as the risk of loss resulting from adverse changes in the financial markets in which the Bank operates. Exposure to such risk is a consequence of the Bank's financing and investment activities and arises from diverse factors affecting prices, such as the correlation between interest and exchange rates in different markets as well as the volatility in the levels of interest and exchange rates. The Board of Directors sets the maximum exposure limits for each category of investment. The relevant departments monitor the market risks and report on these risks to the Bank's Executive Committee.

The Bank marks to market all its Turkish Lira and foreign currency marketable security positions as a result of its daily financial activities in order to be able to hedge market risk. In order to limit possible losses from market risk, the Bank applies maximum position limits, maximum daily transaction limits and stop/loss limits for all Turkish Lira and foreign currency trading transactions, including marketable security transactions; such limits are approved by the Board of Directors.

The Bank calculates the amount subject to market risk, with respect to currency risk and interest rate risk, in accordance with the "Communique Related to Market Risk Measurement by Standard Method" ("Standard Method") issued by the BRSA. In accordance with such method, currency risk is reported weekly, and market risk, including both currency risk and interest rate risk, is reported monthly to the BRSA. The Bank has very limited holdings of equity securities, which as at 31 December 2017 amounted to TL 30.3 million.

Although the Bank generally carries a square foreign exchange currency position, in accordance with the general currency policy of the Bank, the Bank does calculate a capital requirement for the currency risk position of the Bank under the Standard Method.

Market Risk Sensitivity Tests

In accordance with the mission of the Bank, the Bank does not follow a profit-oriented strategy but rather follows a strategy aiming to avoid the eroding effects of inflation on the share capital by making a reasonable amount of profit. Under this framework, necessary changes to loan interest rates are made considering the changes in cost of funds and market interest rates; changes in the interest rates are made using the expected year-end inflation levels as break-even point considering the return on equity at the same time. In this context, the sensitivity analysis is also prepared under various scenarios (optimist, pessimist and normal) and also under abnormal fluctuation (stress) assumptions which measure the sensitivity of the net profit to the changes in market interest rates and the Bank's loan interest rates. Moreover, possible losses arising from interest rate and foreign exchange risk are calculated under various scenarios and in order to minimise possible losses, the Bank undertakes swap transactions (especially currency and interest swaps).

The following table sets forth the average, maximum and minimum of calculated market risk during the years ended 31 December 2017, 2016 and 2015.

	As at 31 December 2017			As at 31 December 2016			As at 31 December 2015		
	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum
	<i>(in thousands of TL)</i>								
Interest Rate Risk	18,120	32,097	4,119	9,238	21,122	743	9,316	14,166	988
Share Certificate Risk ...	—	—	—	—	—	—	—	—	—
Currency Risk	13,801	19,647	8,304	5,597	14,604	1,146	4,854	10,106	12
Commodity Risk	—	—	—	—	—	—	—	—	—
Settlement Risk	—	—	—	—	—	—	—	—	—
Option Risk	280	858	—	3	31	—	50	260	—
Counterparty Credit Risk	—	—	—	1,011	6,216	—	3,720	6,258	776
Total Amount Subject to Risk	402,513	657,525	155,288	198,113	524,663	23,613	224,250	384,875	22,200

Currency risk

Foreign currency-denominated assets and liabilities, together with lending and investment transactions, give rise to foreign exchange rate risk for the Bank on its results of operations, financial position and cash flows. The Bank's foreign exchange positions are monitored daily and transactions are required to be executed by authorised personnel within the limits determined by the risk management principles approved by the Board of Directors of the Bank.

Maturity mismatches are monitored periodically for U.S. Dollar-denominated assets and liabilities (separately in each foreign currency and in total in U.S. Dollars) and Turkish Lira-denominated assets and liabilities using tables showing weighted average days to maturity, which are prepared periodically. The mismatching of maturities between assets and liabilities is evaluated using these tables.

The Bank seeks to match its assets and liabilities in terms of currency, maturity and interest basis. Within this framework, the Bank seeks to manage its debt issuance in order to match the Bank's asset structure to the extent possible. In cases where this is not possible, the Bank seeks to match its assets and liabilities using cross-currency swaps, interest rate swaps or currency swaps, or by adjusting the structure of its assets, to the extent possible.

Exchange rate risk for each currency is separately monitored on a daily basis. The effects of the Bank's activities and market conditions on positions are closely monitored and measures deemed necessary are taken promptly. Taking into account that all of the Bank's borrowed funds are denominated in foreign currencies, the Bank engages in Turkish Lira against foreign currency (FX/Turkish Lira) and foreign currency against foreign currency (FX/FX) operations on a daily basis in order to manage foreign currency exposure.

The Bank is permitted to accept a degree of foreign currency exposure within guidelines specified by the BRSA. Under these guidelines the ratio of the net long/short position (the difference between foreign currency liabilities and assets) to net worth must be no more than 20 per cent. However, the Bank prefers to maintain a square position. See the tables below for information on the Bank's net balance sheet position in foreign currencies as at 31 December 2017, 2016 and 2015.

The tables below set forth the Bank's exposure to foreign currency exchange rate risk as at 31 December 2017, 2016 and 2015. The tables include the Bank's assets, liabilities and equity at their respective carrying amounts, categorised by currency.

As at 31 December 2017

	EUR	USD	Other FX	Total
		<i>(in thousands of TL)</i>		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased).....	631,932	—	—	631,932
Banks	14,642	1,861,696	14,181	1,890,519
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	—	—	—	—
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	40,199,266	30,797,165	183,525	71,179,956
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets.....	—	56,542	—	56,542
Tangible Assets.....	—	—	—	—
Intangible Assets.....	—	—	—	—
Other Assets.....	300,185	346,257	211	646,653
Total Assets	41,146,025	33,061,660	197,917	74,405,602
Liabilities				
Bank Deposits.....	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	30,986,969	35,446,157	935,544	67,368,670
Marketable Securities Issued	—	10,279,210	—	10,279,210
Miscellaneous Payables	375,611	272,435	1,158	649,204
Derivative Financial Debts with an aim of Hedging	—	177,042	—	177,042
Other Liabilities.....	41,464	234,495	344	276,303
Total Liabilities	31,404,044	46,409,339	937,046	78,750,429
Net on Balance Sheet Position	9,741,981	(13,347,679)	(739,129)	(4,344,827)
Net off Balance Sheet Position	(9,737,749)	13,415,681	737,799	4,415,731
Financial Derivative Assets	1,157,790	21,985,782	797,562	23,941,134
Financial Derivative Liabilities.....	10,895,539	8,570,101	59,763	19,525,403
Non-Cash Loans (Export Credit Insurance)	167,820	6,073,168	275	6,241,263

Note:

- (1) Based on provisions of "Regulation about consolidated and unconsolidated basis calculation and implementation of foreign currency net general position/ equity standard ratio by banks", derivative financial instruments foreign currency rediscount income amounting to TL 10,304 and financial derivative rediscount expense amounting to TL 362,051 are not taken into consideration on foreign currency risk calculation.

At 31 December 2017, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 3.7750 = U.S.\$1 and TL 4.5138 = EUR 1.

As at 31 December 2016				
	EUR	USD	Other FX	Total
	<i>(in thousands of TL)</i>			
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased).....	370,004	—	—	370,004
Banks	382,560	2,006,163	8,788	2,397,511
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	—	—	—	—
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	27,669,329	25,844,659	49,989	53,563,977
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets.....	—	105,554	—	105,554
Tangible Assets.....	—	—	—	—
Intangible Assets.....	—	—	—	—
Other Assets.....	1,854,896	170,656	140,637	2,166,189
Total Assets	30,276,789	28,127,032	199,414	58,603,235
Liabilities				
Bank Deposits	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	24,342,524	26,635,726	740,595	51,718,845
Marketable Securities Issued	—	7,827,323	—	7,827,323
Miscellaneous Payables	2,287,738	342,654	104,205	2,734,597
Derivative Financial Debts with an aim of Hedging	—	149,014	—	149,014
Other Liabilities.....	5,203	273,280	216	278,699
Total Liabilities	26,635,465	35,227,997	845,016	62,708,478
Net on Balance Sheet Position	3,641,324	(7,100,965)	(645,602)	(4,105,243)

As at 31 December 2016

	EUR	USD	Other FX	Total
		<i>(in thousands of TL)</i>		
Net off Balance Sheet Position	(3,636,425)	7,205,240	643,601	4,212,416
Financial Derivative Assets	740	13,547,726	715,642	14,264,108
Financial Derivative Liabilities.....	3,637,165	6,342,486	72,041	10,051,692
Non-Cash Loans	52,968	3,810,377	233	3,863,578

Note:

- (1) In accordance with the principles of the “Regulation on Measurement and Practices of Banks’ Net Overall FC Position / Shareholders’ Equity Ratio on a Consolidated and Unconsolidated Basis”, Foreign Currency Income Accruals of Derivative Financial Instruments TL 116,578 and Foreign Currency Expense Accruals of Derivative Financial Instruments TL 41,105 are not included.

For purposes of the table above, at 31 December 2016, assets and liabilities denominated in foreign currency were translated into Turkish Lira using a foreign exchange rate of TL 3.5208 = U.S.\$1 and TL 3.7000 = EUR 1.

As at 31 December 2015

	EUR	USD	Other FX	Total
		<i>(in thousands of TL)</i>		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased).....	—	—	—	—
Banks	12,851	106,599	3,285	122,735
Financial Assets at Fair Value Through Profit or Loss	—	2,918	5	2,923
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	15,330,721	20,834,951	32,058	36,197,730
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets.....	—	79,868	—	79,868
Tangible Assets.....	—	—	—	—
Intangible Assets.....	—	—	—	—
Other Assets.....	513,163	86,131	24	599,318
Total Assets	15,856,735	21,110,467	35,372	37,002,574
Liabilities				
Bank Deposits.....	—	—	—	—
Foreign Currency Deposits	—	—	—	—

As at 31 December 2015

	EUR	USD	Other FX	Total
		<i>(in thousands of TL)</i>		
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	14,175,231	18,757,985	4,924	32,938,140
Marketable Securities Issued	—	5,088,218	—	5,088,218
Miscellaneous Payables	656,498	228,751	2	885,251
Derivative Financial Debts with an aim of Hedging	—	9,969	—	9,969
Other Liabilities	1,615	203,527	55	205,197
Total Liabilities	14,833,344	24,288,450	4,981	39,126,775
Net on Balance Sheet Position	1,023,391	(3,177,983)	30,391	(2,124,201)
Net off Balance Sheet Position	(1,010,867)	2,856,146	(27,843)	1,817,436
Financial Derivative Assets	—	6,417,737	—	6,417,737
Financial Derivative Liabilities	1,010,867	3,561,591	27,843	4,600,301
Non-Cash Loans	8,411	2,746,070	—	2,754,481

For purposes of the table above, at 31 December 2015, assets and liabilities denominated in foreign currency were translated into Turkish Lira using a foreign exchange rate of TL 2.9132 = U.S.\$1 and TL 3.1821 = EUR 1.

As at 31 December 2017, 2016 and 2015, the effect of the devaluation of Turkish Lira by 10 per cent. against other currencies mentioned below, on net profit and equity of the Bank, are presented in the table below. The analysis covers all foreign currency-denominated assets and liabilities. The other variables, especially interest rates are assumed to be fixed.

	As at 31 December					
	2017		2016		2015	
	Gain/ (Loss) Effect	Effect on Equity⁽¹⁾	Gain/ (Loss) Effect	Effect on Equity⁽¹⁾	Gain/ (Loss) Effect	Effect on Equity⁽¹⁾
	<i>(in thousands of TL)</i>					
USD	6,800	6,800	9,231	9,231	7,463	8,601
EUR	423	423	490	490	1,252	1,252
JPY	—	—	—	—	—	—
Other currencies	(133)	(133)	(200)	(200)	255	255
Total	7,090	7,090	9,521	9,521	8,970	10,108

Note:

(1) Effect on equity also includes effect on net profit.

As at 31 December 2017, 2016 and 2015, the effect of the appreciation of Turkish Lira by 10 per cent. against other currencies, with all other variables held constant, on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

Interest rate risk

The Bank estimates the effects of changes in interest rates on the profitability of the Bank by analysing its Turkish Lira and foreign currency denominated, interest sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analysing their weights across the Bank's total assets and liabilities. Long or short positions arising from interest rate risk are determined by currency at specified maturity intervals (up to 1 month, 1 month to 3 months, 3 months to 1 year, 1 year to 5 years and over 5 years) using the period remaining to repricing date, considering that the repricing of Turkish Lira and foreign currency-denominated, interest sensitive assets and liabilities will occur at the maturity date (in the case of fixed rate assets and liabilities) or at interest payment dates (for floating rate assets and liabilities). By classifying interest sensitive assets and liabilities according to their repricing dates, the Bank's exposure to possible variations in market interest rates is determined and the interest sensitive gap or surplus for each period remaining to contractual repricing dates is calculated. The resulting gap report is used to estimate how the Bank will be affected by potential market rate changes.

According to the risk management policy approved by the Board of Directors, the Bank emphasises the matching of assets and liabilities with fixed and floating interest rates in different currencies. The Bank also pays special attention to the level of maturity mismatch of assets and liabilities with floating and fixed interest rates in relation to the asset size of the Bank, in order to limit the negative effects of interest rate changes on the Bank's profitability. In that regard, under the risk management policy approved by the Board of Directors, there is a 20 per cent. maximum limit on the ratio of mismatches of floating/fixed interest-bearing assets and liabilities to the total assets of the Bank.

Currently the Bank matches medium and long-term floating interest-bearing foreign currency-denominated assets to fixed interest-bearing liabilities denominated in another foreign currency by using interest rate and cross currency swaps. In addition, interest rate swaps have been used to cover the mismatch between medium and long-term fixed rate bearing U.S.\$ assets and medium and long-term U.S.\$ liabilities.

Pricing of interest-bearing assets and liabilities

Interest rates for the Bank's loans are determined by the Bank in accordance with developments in the markets and vary according to repayment period and the total outstanding credit risk of the borrower. For short-term Turkish Lira- and foreign currency-denominated export credits, the Bank's pricing policy is to provide funding to exporters below local money market rates in order to assist them in funding their working capital needs and to help support and promote Turkish exports. In the year ended 31 December 2017, the Bank estimates that it offered interest rates that were more than 3 percentage points below market rates. As its non-interest bearing Turkish Lira-denominated capital base is its main source of funding for Turkish Lira-denominated loans, the Bank earns a positive lending spread on this type of lending.

The Bank varies the rate of interest charged on its medium- and long-term loans based upon the maturity and the project being funded. The Bank aims to earn a positive spread over its average weighted cost of funds, allowing it to fully cover its overhead costs, but does not necessarily seek to earn a significant profit.

Unlike commercial banks, the Bank does not accept any retail or corporate deposits. A substantial portion of the Bank's funding consists of capital contributions. As at 31 December 2017, the Bank gained on its Turkish Lira-denominated loans a weighted average interest rate of 6.8 per cent. The average yield of treasury bonds

(the maturity of treasury bonds is in accordance with the Bank's maturity structure) was 11.4 per cent. as at 31 December 2017. Turkish exporters also pay fees and commissions to intermediate banks and for bank guarantees to maintain the Bank's 100 per cent. collateralisation requirements in its direct credits.

As at 31 December 2017, the Bank charged on its foreign currency-denominated total loans a weighted average interest rate of LIBOR plus 1.41 per cent., which was higher than its average foreign exchange funding costs, which as at 31 December 2017 were LIBOR plus 1.00 per cent.

Interest rate repricing gap analysis

The following tables set forth the carrying amounts of the Bank's assets and liabilities, classified in terms of periods remaining to contractual repricing dates, as at 31 December 2017, 2016 and 2015.

	As at 31 December 2017						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	<i>(in thousands of TL)</i>						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	—	—	—	—	—	632,192	632,192
Banks	2,032,663	—	—	—	—	49,738	2,082,401
Financial Assets at Fair Value Through Profit/Loss	905	4,281	12,270	1,191	8,616	—	27,263
Interbank Money Market Placements	831,691	—	—	—	—	—	831,691
Available-for-sale Financial Assets.....	—	—	—	—	—	30,318	30,318
Loans ⁽¹⁾	12,812,621	22,428,887	44,493,552	433,542	—	102,502	80,271,104
Held-to-maturity Investments		17,208	142,161	21,092	—	—	180,461
Other Assets.....	3,376	35,284	94,946	—	—	1,186,153	1,319,759
Total Assets.....	15,681,256	22,485,660	44,742,929	455,825	8,616	2,000,903	85,375,189
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—
Funds From Interbank Money Market.....	152,000	—	—	—	—	—	152,000
Miscellaneous Payables.....	—	—	11,602	180	—	654,032	665,814
Issued Marketable Securities.	—	3,732,210	4,565,724	1,981,276	—	—	10,279,210
Funds Borrowed from other Financial Institutions	9,012,558	24,195,582	34,160,530	—	—	—	67,368,670
Other Liabilities ⁽²⁾	48,575	137,965	142,998	284,657	—	6,295,300	6,909,495
Total Liabilities	9,213,133	28,065,757	38,880,854	2,266,113	—	6,949,332	85,375,189
Balance Sheet Long Position.	6,468,123	—	5,862,075	—	8,616	—	12,338,814
Balance Sheet Short Position.	—	(5,580,097)	—	(1,810,288)	—	(4,948,429)	(12,338,814)
Off-Balance Sheet Long Position	4,567,045	8,366,756	6,646,202	4,488,231	—	—	24,068,234
Off-Balance Sheet Short Position	(4,604,812)	(8,417,130)	(6,622,786)	(4,760,776)	—	—	(24,405,504)
Total Position.....	6,430,356	(5,630,471)	5,885,491	(2,082,833)	8,616	(4,948,429)	(337,270)

Notes:

- (1) In loans line the "non-interest bearing" column amounting to TL 102,502 consists of the net value of the loans under follow-up.
(2) In other liabilities line the "non-interest bearing" column amounting TL 6,295,300, includes equity amounting to TL 5,774,083, provisions amounting to TL 268,419, other liabilities amounting to TL 252,785 and funds amounting to TL 13.

As at 31 December 2016

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	<i>(in thousands of TL)</i>						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—	—	370,991	370,991
Banks	2,133,055	—	—	—	—	384,993	2,518,048
Financial Assets at Fair Value Through Profit/Loss	118,590	13	—	2,051	8,627	—	129,281
Interbank Money Market Placements	368,160	—	—	—	—	—	368,160
Available-for-sale Financial Assets.....	—	—	—	—	—	21,124	21,124
Loans	11,352,636	16,689,889	32,995,452	482,484	—	89,303	61,609,764
Held-to-maturity Investments	59,395	—	39,154	—	—	—	98,549
Other Assets.....	44,475	96,426	236,812	82,598	—	2,700,086	3,160,397
Total Assets.....	14,076,311	16,786,328	33,271,418	567,133	8,627	3,566,497	68,276,314
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—
Funds From Interbank Money Market.....	69,000	—	—	—	—	—	69,000
Miscellaneous Payables.....	—	—	8,780	—	—	2,738,668	2,747,448
Issued Marketable Securities	—	1,741,212	4,308,080	1,778,031	—	—	7,827,323
Funds Borrowed from other Financial Institutions	3,679,258	16,297,728	29,095,987	2,645,872	—	—	51,718,845
Other Liabilities ⁽¹⁾	9,232	51,183	189,543	38,416	—	5,625,324	5,913,698
Total Liabilities	3,757,490	18,090,123	33,602,390	4,462,319	—	8,363,992	68,276,314
Balance Sheet Long Position	10,318,821	—	—	—	8,627	—	10,327,448
Balance Sheet Short Position	—	(1,303,795)	(330,972)	(3,895,186)	—	(4,797,495)	(10,327,448)
Off-Balance Sheet Long Position	3,108,334	4,666,413	4,750,032	—	—	—	12,524,779
Off-Balance Sheet Short Position	(3,074,717)	(4,667,193)	(4,831,424)	—	—	—	(12,573,334)
Total Position.....	10,352,438	(1,304,575)	(412,364)	(3,895,186)	8,627	(4,797,495)	(48,555)

Note:

- (1) In other liabilities line the "non-interest bearing" column amounting TL 5,625,324 includes equity amounting to TL 5,200,734 and provisions amounting to TL 230,229.

As at 31 December 2015

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
<i>(in thousands of TL)</i>							
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—	—	1,227	1,227
Banks	146,366	—	—	—	—	18,036	164,402
Financial Assets at Fair Value Through Profit/Loss	678	287	2,747	1,963	8,630	—	14,305
Interbank Money Market Placements	—	—	—	—	—	—	—
Available-for-sale Financial Assets.....	—	—	—	—	—	18,051	18,051
Loans	5,876,095	11,989,871	24,590,526	693,138	9,496	—	43,159,126
Held-to-maturity Investments	59,399	—	186,633	9,936	—	—	255,968
Other Assets.....	679	287	2,747	—	—	821,003	824,716
Total Assets.....	6,083,217	11,990,445	24,782,653	705,037	18,126	858,317	44,437,795
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—
Funds From Interbank Money Market.....	200,000	—	—	—	—	—	200,000
Miscellaneous Payables.....	—	—	5,084	5,085	—	888,178	898,347
Issued Marketable Securities..	—	—	3,560,744	57,340	1,470,134	—	5,088,218
Funds Borrowed from other Financial Institutions	2,983,845	12,326,037	17,678,368	—	—	—	32,988,250
Other Liabilities ⁽¹⁾	7,094	2,562	161,001	—	—	5,092,323	5,262,980
Total Liabilities	3,190,939	12,328,599	21,405,197	62,425	1,470,134	5,980,501	44,437,795
Balance Sheet Long Position..	2,892,278	—	3,377,456	642,612	—	—	6,912,346
Balance Sheet Short Position..	—	(338,154)	—	—	(1,452,008)	(5,112,184)	(6,912,346)
Off-Balance Sheet Long Position	461,561	871,815	5,621,568	—	—	—	6,954,944
Off-Balance Sheet Short Position	(455,399)	(874,744)	(5,649,679)	—	—	—	(6,979,822)
Total Position.....	2,898,440	(341,083)	3,349,345	642,612	(1,452,008)	(5,122,184)	(24,878)

Note:

(1) In other liabilities line the "non-interest bearing" column amounting to TL 5,092,323 include equity amounting to TL 4,780,705 and provisions amounting to TL 223,922.

Interest rate sensitivity

The following tables set forth the average interest rates by major currencies for monetary financial instruments of the Bank as at 31 December 2017, 2016 and 2015:

As at 31 December 2017

	EUR	USD	GBP	YEN	TL
	<i>(in percentages)</i>				
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT..	—	—	—	—	—
Banks	0.01	1.09	—	—	11.95
Financial Assets at Fair Value Through Profit/Loss	—	—	—	—	8.49
Interbank Money Market Placements	—	—	—	—	13.26
Available-for-sale Financial Assets	—	—	—	—	—
Loans	1.27	2.29	1.30	0.98	8.78
Held-to-maturity Investments	—	—	—	—	11.57
Liabilities					
Bank Deposits.....	—	—	—	—	—
Other Deposits	—	—	—	—	—
Funds From Interbank Money Market	—	—	—	—	12.18
Miscellaneous Payables	—	—	—	—	—
Issued Marketable Securities	—	5.18	—	—	—
Funds Borrowed from other Financial Institutions	0.53	1.28	1.18	1.70	—

As at 31 December 2016

	EUR	USD	YEN	TL
	<i>(in percentages)</i>			
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT....	—	0.40	—	—
Banks	0.09	0.54	—	9.82
Financial Assets at Fair Value Through Profit/Loss	—	—	—	8.30
Interbank Money Market Placements	—	—	—	10.29
Available-for-sale Financial Assets	—	—	—	—
Loans	1.54	2.09	1.68	8.41
Held-to-maturity Investments	—	—	—	10.72
Liabilities				
Bank Deposits.....	—	—	—	—
Other Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	8.82

As at 31 December 2016

	EUR	USD	YEN	TL
	<i>(in percentages)</i>			
Miscellaneous Payables	—	—	—	—
Issued Marketable Securities	—	5.38	—	—
Funds Borrowed from other Financial Institutions	0.55	0.98	1.70	—

As at 31 December 2015

	EUR	USD	YEN	TL
	<i>(in percentages)</i>			
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT.....	—	—	—	—
Banks	0.30	0.36	—	10.77
Financial Assets at Fair Value Through Profit/Loss	—	4.44	—	6.02
Interbank Money Market Placements	—	—	—	10.30
Available-for-sale Financial Assets	—	—	—	—
Loans	1.68	1.80	1.93	7.91
Held-to-maturity Investments	—	6.81	—	10.00
Liabilities				
Bank Deposits	—	—	—	—
Other Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	10.11
Miscellaneous Payables	—	—	—	—
Issued Marketable Securities	—	5.35	—	—
Funds Borrowed from other Financial Institutions	0.61	0.64	—	11.35

The tables below present a sensitivity analysis of the Bank's statement of comprehensive income to the effect of changes in the interest rates on the net interest income of floating rate financial assets and liabilities at 31 December 2017 and 2016. The sensitivity of the Bank's shareholders' equity at 31 December 2017 and 2016 is calculated through revaluating the financial assets available-for-sale taking into account the possible changes in interest rates, where applicable. The tax effects are not considered in the analysis. The other variables, especially exchange rates, are assumed to be fixed in this analysis.

	As at 31 December 2017			As at 31 December 2016	
	Applied Shock (+/- basis points)	Gains/ (losses) (in thousands of TL)	Gains/ shareholders' equity – (losses)/ shareholders' equity (%)	Gains/(losses) (in thousands of TL)	Gains/ shareholders' equity – (losses)/ shareholders' equity (%)
TL.....	500	(104,751)	(1.78)	(97,182)	(1.82)
	(400)	89,704	1.52	83,659	1.57
EUR.....	200	(37,714)	(0.64)	(11,250)	(0.21)
	(200)	7,796	0.13	1,379	0.03
USD.....	200	154,829	2.63	150,330	2.82
	(200)	(166,210)	(2.82)	(164,315)	(3.08)
Total for negative shocks.....		(68,710)	(1.17)	(79,277)	(1.48)
Total for positive shocks.....		12,364	0.21	41,898	(0.79)

Note:

(1) Information derived from management accounts.

Liquidity risk

A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments and to satisfy the Bank's own liquidity needs. The Bank measures and manages its cash flow commitments on a daily basis, and maintains a level of liquid assets determined by the Board of Directors to be sufficient to meet its commitments.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity management of the Bank. The ability to fund the Bank's existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities and the availability of funding is ensured by maintaining an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks to be completely matched since the maturity, interest rates and the types of business transactions are different. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank uses Turkish Lira and foreign currency cash flow schedules prepared weekly, monthly and annually in the liquidity management decision making process. In order to manage risks to its liquidity from interest and exchange rate exposure, the Bank's funding strategy is generally to match asset and liability maturities to the extent possible. The Bank tries to minimise mismatches by financing short-term loans with short-term funds and long-term loans with long-term funds.

Long-term lending requirement is generally met by funds raised from international financial institutions such as the World Bank and may include the issuance of bonds in the international capital markets.

The following tables set forth, as at 31 December 2017, 2016 and 2015, the assets and liabilities of the Bank by relevant maturity grouping based on the remaining period, as at the applicable balance sheet date, to the contractual maturity dates.

As at 31 December 2017

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated ⁽¹⁾	Total
	<i>(in thousands of TL)</i>							
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	632,192	—	—	—	—	—	—	632,192
Banks	49,738	2,032,663	—	—	—	—	—	2,082,401
Financial Assets at Fair Value Through Profit or Loss	—	905	4,134	3,296	1,316	17,612	—	27,263
Interbank Money Market Placements	—	831,691	—	—	—	—	—	831,691
Available-for-sale Financial Assets.....	30,318	—	—	—	—	—	—	30,318
Loans ⁽²⁾	—	7,818,745	14,542,969	37,244,587	16,516,704	4,045,597	102,502	80,271,104
Held-to-maturity Investments	—	0	17,208	142,161	21,092	—	—	180,461
Other Assets.....	—	1,569	35,284	40,211	54,735	1,807	1,186,153	1,319,759
Total Assets.....	712,248	10,685,573	14,599,595	37,430,255	16,593,847	4,065,016	1,288,655	85,375,189
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions.....	—	6,420,112	17,199,600	29,489,958	9,967,455	4,291,545	—	67,368,670
Funds From Interbank Money Market.....	—	152,000	—	—	—	—	—	152,000
Marketable Securities Issued.	—	—	—	—	8,457,438	1,821,772	—	10,279,210
Miscellaneous Payables.....	—	—	—	11,602	180	—	654,032	665,814
Other Liabilities ⁽³⁾⁽⁴⁾	—	48,163	6,257	44,486	225,955	289,334	6,295,300	6,909,495
Total Liabilities	—	6,620,275	17,205,857	29,546,046	18,651,028	6,402,651	6,949,332	85,375,189
Liquidity Gap	712,248	4,065,298	(2,606,262)	7,884,209	(2,057,181)	(2,337,635)	(5,660,677)	—

Notes:

- (1) Assets such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets are classified in this column.
- (2) Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as equity, provisions, miscellaneous payables are classified in this column.
- (3) In other liabilities line amount of TL 6,295,300 at the “unallocated” column, includes the shareholders’ equity amounting to TL 5,774,083, provisions amounting to TL 268,419, other liabilities amounting to TL 252,785 and funds amounting to TL 13.
- (4) In loans line the “non-interest bearing” column amounting to TL 102,502 consists of the net value of non-performing loans.

As at 31 December 2016

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated ⁽¹⁾	Total
	<i>(in thousands of TL)</i>							
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and	370,991							370,991

As at 31 December 2016

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated ⁽¹⁾	Total
<i>(in thousands of TL)</i>								
CBRT								
Banks	384,993	2,133,055	—	—	—	—	—	2,518,048
Financial Assets at Fair Value Through Profit or Loss	—	2,171	12	—	118,470	8,628	—	129,281
Interbank Money Market Placements	—	368,160	—	—	—	—	—	368,160
Available-for-sale Financial Assets.....	21,124	—	—	—	—	—	—	21,124
Loans ⁽²⁾	—	7,568,774	10,987,395	27,633,671	14,468,494	862,127	89,303	61,609,764
Held-to-maturity Investments	—	45,820	—	52,729	—	—	—	98,549
Other Assets.....	—	44,474	71,032	130,830	105,553	108,422	2,700,086	3,160,397
Total Assets.....	777,108	10,162,454	11,058,439	27,817,230	14,692,517	979,177	2,789,389	68,276,314
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions	—	448,559	12,128,387	25,535,023	6,668,277	6,938,599	—	51,718,845
Funds From Interbank Money Market.....	—	69,000	—	—	—	—	—	69,000
Marketable Securities Issued	—	—	90,558	331,532	6,146,454	1,258,779	—	7,827,323
Miscellaneous Payables.....	—	—	—	8,780	—	—	2,738,668	2,747,448
Other Liabilities ⁽³⁾⁽⁴⁾	—	9,232	580	43,127	124,665	110,770	5,625,324	5,913,698
Total Liabilities	—	526,791	12,219,525	25,918,462	12,939,396	8,308,148	8,363,992	68,276,314
Net Liquidity Gap	777,108	9,635,663	(1,161,086)	1,898,768	1,753,121	(7,328,971)	(5,574,603)	—

Notes:

- (1) Assets such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets are classified in this column.
- (2) Loans consist of net value of non-performing loans at "non-interest bearing" column amounting TL 89,303 the book value of the loans under follow-up.
- (3) Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as equity, provisions and miscellaneous payables are classified in this column.
- (4) In other liabilities line amount of TL 5,625,324 in the "unallocated" column, includes the shareholders' equity amounting to TL 5,200,734 and provisions amounting to TL 230,229 mainly.

As at 31 December 2015

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated ⁽¹⁾	Total
<i>(in thousands of TL)</i>								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT.....	1,227	—	—	—	—	—	—	1,227
Banks	18,036	146,366	—	—	—	—	—	164,402
Financial Assets at Fair Value Through Profit or Loss	—	679	287	431	1,962	10,946	—	14,305

As at 31 December 2015

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated ⁽¹⁾	Total
	<i>(in thousands of TL)</i>							
Interbank Money Market								
Placements	—	—	—	—	—	—	—	—
Available-for-sale Financial Assets.....	18,051	—	—	—	—	—	—	18,051
Loans	—	3,699,937	7,744,013	20,309,902	11,276,158	129,116	—	43,159,126
Held-to-maturity Investments	—	—	—	157,332	98,636	—	—	255,968
Other Assets.....	—	7,726	13,940	10,352	73,119	—	719,579	824,716
Total Assets.....	37,314	3,854,708	7,758,240	20,478,017	11,449,875	140,062	719,579	44,437,795
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions	—	607,356	10,667,836	17,247,401	2,833,651	1,632,006	—	32,988,250
Funds From Interbank Money Market.....	—	200,000	—	—	—	—	—	200,000
Marketable Securities Issued.	—	—	—	1,448,498	2,169,586	1,470,134	—	5,088,218
Miscellaneous Payables.....	—	—	—	5,084	5,085	—	888,178	898,347
Other Liabilities ⁽²⁾	—	7,094	2,550	78,619	82,394	—	5,092,323	5,262,980
Total Liabilities	—	814,450	10,670,386	18,779,602	5,090,716	3,102,140	5,980,501	44,437,795
Net Liquidity Gap	37,314	3,040,258	(2,912,146)	1,698,415	6,359,159	(2,962,078)	(5,260,922)	—

Notes:

- (1) Assets and liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets and shareholders' equity, provisions and miscellaneous payables, are classified in this column.
- (2) In other liabilities line amount of TL 5,092,323 in the "unallocated" column, includes the shareholders' equity amounting to TL 4,780,705 and provisions amounting to TL 223,922.

The following tables set forth, as at 31 December 2017, 2016 and 2015, the undiscounted cash flows of the financial liabilities of the Bank (other than derivative transactions, which are presented further below) by relevant maturity grouping based on the remaining period, as at the applicable balance sheet date, to the contractual maturity dates.

As at 31 December 2017

	Book Value as at 31 December 2017	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
	<i>(in thousands of TL)</i>							
Liabilities								
Bank deposits.....	—	—	—	—	—	—	—	—
Other deposits	—	—	—	—	—	—	—	—
Funds borrowed from other financial institutions.....	67,368,670	6,587,817	17,273,932	29,366,684	10,167,643	5,347,592	—	68,743,668

As at 31 December 2015

	Book Value as at 31 December 2015	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
<i>(in thousands of TL)</i>								
financial institutions								
Funds borrowed from								
Interbank money market.....	200,000	200,214	—	—	—	—	—	200,214
Marketable securities issued.	5,088,218	—	36,415	1,699,707	2,797,182	1,529,430	—	6,062,734
Miscellaneous payables.....	898,347	—	—	5,084	5,085	—	888,178	898,347
Other liabilities	258,353	7,094	2,550	78,619	82,394	—	87,696	258,353
Total liabilities.....	39,433,168	800,717	10,707,283	19,042,408	5,775,798	3,277,772	975,874	40,579,852
Guarantees and commitments	—	—	—	2,754,481	—	—	—	2,754,481

The following tables set forth the undiscounted cash inflows and outflows of derivative transactions of the Bank as at 31 December 2017, 2016 and 2015.

As at 31 December 2017

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<i>(in thousands of TL)</i>						
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow.....	4,009,847	142,694	251,320	4,956,320	2,628,333	11,988,514
– Inflow	3,975,446	136,935	301,218	3,870,703	2,023,691	10,307,993
Interest rate derivatives						
– Outflow.....	—	334,524	1,273,681	1,942,957	—	3,551,162
– Inflow	1,479	342,459	1,258,786	1,940,402	—	3,543,126
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow.....	433,264	2,012,833	1,566,838	3,331,674	—	7,344,609
– Inflow	430,033	2,033,925	1,567,473	2,752,400	—	6,783,831
Interest rate derivatives						
– Outflow.....	—	15,680	342,722	5,041,261	2,007,722	7,407,385
– Inflow	—	15,218	322,975	4,917,342	1,988,953	7,244,488
Total outflow	4,443,111	2,505,731	3,434,561	15,272,212	4,636,055	30,291,670
Total inflow	4,406,958	2,528,537	3,450,452	13,480,847	4,012,644	27,879,438

As at 31 December 2016

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	<i>(in thousands of TL)</i>					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow.....	684,958	53,741	61,694	1,966,671	1,652,588	4,419,652
– Inflow	685,339	58,289	97,174	1,868,956	1,455,170	4,164,928
Interest rate derivatives						
– Outflow.....	—	2,533	681,992	—	—	684,525
– Inflow	—	4,310	678,869	—	—	683,179
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow.....	291,806	655,455	2,582,796	458,332	—	3,988,389
– Inflow	327,330	720,186	2,742,080	536,349	—	4,325,945
Interest rate derivatives						
– Outflow.....	—	32,312	277,241	4,929,024	1,991,787	7,230,364
– Inflow	—	33,117	282,301	4,807,017	1,949,643	7,072,078
Total outflow	976,764	744,041	3,603,723	7,354,027	3,644,375	16,322,930
Total inflow	1,012,669	815,902	3,800,424	7,212,322	3,404,813	16,246,130

As at 31 December 2015

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	<i>(in thousands of TL)</i>					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow.....	210,309	13,039	97,069	1,032,440	804,199	2,157,056
– Inflow	211,377	15,382	106,882	1,146,492	781,217	2,261,351
Interest rate derivatives						
– Outflow.....	44,079	—	265,911	—	—	309,990
– Inflow	43,868	1,231	264,642	—	—	309,741
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow.....	201,390	744,555	1,373,971	—	—	2,319,916
– Inflow	206,490	741,202	1,283,220	—	—	2,230,911
Interest rate derivatives						
– Outflow.....	—	—	1,622,008	1,621,432	—	3,243,440
– Inflow	—	—	1,639,056	2,038,056	—	3,677,112
Total outflow	455,778	757,594	3,358,959	2,653,872	804,199	8,030,402

As at 31 December 2015

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
			<i>(in thousands of TL)</i>			
Total inflow	461,735	757,815	3,293,800	3,184,548	781,217	8,479,115

Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events. Operational risk can result from a variety of factors, including failure to obtain proper internal authorisation, failure to document transactions properly, failure of operational and information security procedures or other procedural failures, computer system or software failures, other equipment failures, fraud and inadequate training or errors by employees.

The Bank seeks to minimise losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause loss through failure of people or processes in such a way that losses are avoided or reduced to the minimum possible extent.

The Bank has established internal control mechanisms in order to be able to manage the operational risks and these mechanisms are monitored and periodically audited by the internal audit and inspection unit of the Bank. Financial losses occurring as a result of operational risk together with the underlying reasons are reported to the Audit Committee, senior management of the Bank and the Board of Directors by the Risk Management Department and necessary actions are taken according to decisions made by the Board of Directors.

For regulatory purposes and for purposes of the statutory capital adequacy ratio, the Bank calculated the amount subject to operational risk based on the last 3 years' gross income of the Bank using the basic indicator method in accordance with the "The Calculation of the Amount Subject to Operational Risk" Arrangement under the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 28337 dated 28 June 2012. In the framework of Basel II, the Bank has used the basic indicator approach in calculating the amount subject to operational risk since 30 June 2007. Calculation of regulatory capital changed effective from 1 January 2014 as per the Regulation on Equity of Banks published in the official Gazette no. 29511 dated 23 October 2015. As at 31 December 2017, the total amount subject to operational risk, calculated in this manner, was TL 1,246,957.

Legal risk includes the possibility that transactions may not be enforceable under applicable law or regulation and also the possibility that changes in Turkish law and regulation may adversely affect the Bank's position. The Bank seeks to minimise legal risk by using standard forms of documentation, by seeking to ensure that transactions are properly authorised and by reviewing its legal position following a change in law.

MANAGEMENT

Supreme Advisory and Credit Guidance Committee

The Bank's affairs are overseen by the Supreme Advisory and Credit Guidance Committee, which is chaired by the Prime Minister or the Minister with whom the Bank is affiliated (currently the Minister of Economy). The Supreme Advisory and Credit Guidance Committee fixes upper limits of credits to be extended by the Bank, guarantees to be issued and insurance transactions to be effected, either as a total amount or by country, sector and programme.

The Supreme Advisory and Credit Guidance Committee, as at the date of this Base Prospectus, is comprised of the following *ex officio* members:

Name	Position(s)
Nihat Zeybekçi	Economy Minister and Chairman of the Supreme Advisory and Credit Guidance Committee
Mustafa Cüneyd Düzyol	Undersecretary of the Ministry of Development
Osman Çelik.....	Undersecretary of the Treasury
İbrahim Şenel	Undersecretary of the Ministry of Economy
Mehmet Veysel Yayan	Undersecretary of the Ministry of Science, Industry and Technology
Abdullah Kaya	Undersecretary of the Ministry of Finance
Cenap Aşçı	Undersecretary of the Ministry of Customs and Trade
Murat Çetinkaya.....	Governor of the Central Bank
Adnan Yıldırım	General Manager of the Bank

General Assembly

The Bank's General Assembly exists to carry out activities in compliance with the Turkish Commercial Code (the "TCC"), such as amending articles of association, appointing members to the Board of Directors and appointing auditors. While the General Assembly convenes for ordinary and extraordinary sessions, an ordinary session must be held at least once a year and within three months of the end of the Bank's fiscal year. Extraordinary sessions are held whenever the Board of Directors deems it necessary or upon request of the Treasury, as a shareholder representing at least 5 per cent. of the share capital. The Bank's Board of Directors has the power to call a session of the General Assembly. In compliance with the TCC, a representative of the Ministry with whom the Bank is affiliated must attend each session of the General Assembly. In order to form a quorum, representation of not less than one fourth of the Bank's capital is required and resolutions may be passed by majority vote of votes in attendance.

The General Assembly's duties include amending the articles of association as needed, appointing auditors, adopting resolutions for the dissolution of the Bank, adopting resolutions with respect to financial statements and annual reports, distributing dividends under the TCC as well as its non-assignable and non-delegable duty to elect six of the seven members of the Board of Directors. Pursuant to the Decree, the General Assembly may delegate or assign its assignable and delegable powers to the Chief Executive Officer.

Board of Directors

The Bank is managed by a Board of Directors consisting of seven members. The Board of Directors meets at least once a month and, as part of its role, is required to take into account the status of the national economy, recent governmental decisions, laws and regulations, the scope of the Bank's activities along with the decisions and advisory guidance from the Supreme Advisory and Credit Guidance Committee. The Board of Directors presents annual programmes to the Supreme Advisory and Credit Guidance Committee. If required, the Board of Directors may delegate part of its authority to the senior management, provided that limits of authority are clearly established. The delegation of authority, however, does not discharge the Board of Directors of its overall responsibilities.

The Bank's General Manager is appointed for three years by a joint decree upon the proposal of the Minister with whom the Bank is affiliated (currently the Minister of Economy), the Prime Minister and the President of the Republic of Turkey. The other six Directors are appointed by the General Assembly. Each Director serves a term of three years and may be re-elected by the General Assembly (save for the General Manager, who will be subject to the procedure outlined above for re-appointment) upon termination of a term.

The business address of the Directors and senior management is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey.

The Board of Directors of the Bank, as at the date of this Base Prospectus, is comprised of the following members:

Name	Position(s)
Osman Çelik.....	Chairman
Adnan Yıldırım	General Manager and Director, Chairman and Member of the Executive and the Credit Committee
İbrahim Şenel	Vice Chairman
Bülent Gökhan Günay.....	Director and Member of the Audit Committee
Mehmet Büyükeksi	Director and Member of the Audit Committee
Işinsu Kestelli.....	Director

Osman Çelik, Chairman of the Board of Directors

Erzincan, 1964. Mr. Çelik holds a BA in Economics from the Middle East Technical University's Faculty of Economics and Administrative Sciences. He worked as an economist with the State Statistical Institute in 1986 and 1987. He then joined Faisal Finance where he worked as a specialist and, later, chief specialist in the Project Evaluation and Preparation Department from 1988 until 1995. He served as Project and Marketing Manager at İhlas Finance from 1995 through 1999 and Assistant General Manager of Anadolu Finance from 2000 through 2005. After serving as Assistant General Manager of Credits at Türkiye Finans Participation Bank from 2006 to 2013, he then served as Assistant General Manager of Commercial Banking from October 2013 and as General Manager from June 2015. Mr. Çelik was appointed as Undersecretary of Treasury on 29 June 2016, a position he still holds. Holding a member's seat on the Board of Directors of Turk Eximbank since 12 January 2017, Mr. Çelik was appointed as Chairman of the Board of Turk Eximbank on 21 January 2017.

Adnan Yıldırım, General Manager and Director, Chairman and Member of the Executive and Credit Committee

Denizli, 1959. Mr. Yıldırım holds a degree in Economics and Public Finance from Ankara University's Faculty of Political Sciences and a master's degree in economics from the Vanderbilt University in the United States. Mr. Yıldırım started his professional career as an assistant auditor on the Board of Auditors at the Ministry of Finance in 1981, where he then worked as an auditor and chief auditor. He was a Department Head at the Ministry of Finance from 1991 to 1996, before working as the CFO of EGS Group, General Manager of Denizli Free Zone, board member of İpekyolu Vadisi Serbest Bölge Kurucu ve İşletmecisi A.Ş., and Financial Advisor for the Aegean Exporters' Association. Having served as Secretary General of the Izmir Chamber of Commerce from 2006 to 2010, Mr. Yıldırım was a founding partner of Pamukkale Consulting and Batı Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. He held the positions of the Advisor to the Chairman of the Aegean Region Chamber of Industry, Advisor to the Board of Directors of İzmir Commodity Exchange, Advisor to the Board of Directors of the Kemalpaşa Organised Industrial Zone, and Financial Advisor for the Izmir Free Zone. Mr. Yıldırım served as Deputy Minister of Economy from 2014 to 2015 and as a Chief Advisor to the Minister of Economy from 2015 to 2016. He was appointed as an Acting General Manager of Turk Eximbank on 29 November 2016 and as General Manager on 18 January 2018.

İbrahim Şenel, Vice Chairman

Tokat, 1966. Mr. Şenel holds a BA in Economics from Ankara University's Faculty of Political Sciences. After serving as an Assistant Specialist at the State Planning Organization between 1989 and 1991, he started working at the Undersecretariat of Treasury and Foreign Trade in 1991. From 2003 to 2007, he served as a Head of Department and Deputy Director General of Exports, and as Deputy Commercial Counselor in Baku. He was Deputy Undersecretary at the Undersecretariat of Customs from 2007 to 2009, Director General of Exports from 2009 to 2011, and Deputy Undersecretary at the Ministry of Economy from 2011 to 2014. On 16 September 2013, he began serving as acting Undersecretary of the Ministry of Economy, and he was assigned as Undersecretary in full capacity on 8 January 2014, a position he still holds. Mr. Şenel also serves as a member of the State Aids Monitoring and Supervision Board. Holding a member's seat on the Board of Directors of Turk Eximbank since 18 March 2015, Mr. Şenel also served as a member of the Audit Committee between 16 September 2015 and 21 January 2017, and has also been serving as the Vice Chairman of the Board of Directors since 25 May 2015.

Bülent Gökhan Günay, Director and Member of the Audit Committee

Sakarya, 1962. Mr. Günay started his career at Türkiye Sınai Kalkınma Bankası in 1986 and then held the positions of Assistant General Manager of Treasury, International Relations, Retail Banking, Securities, Advertising and Public Relations at various banks. From 2002 to 2016, he was an Assistant General Manager of Treasury and Retail Banking of Anadolubank, Chief Assistant General Manager and then General Manager of the same bank, a position from which he resigned in 2016. Mr. Günay has been a member of the Board of Directors of Turk Eximbank since 12 January 2017 and a member of the Bank's Audit Committee since 21 January 2017.

Mehmet Büyükekeşi, Director and Member of the Audit Committee

Gaziantep, 1961. Mr. Büyükekeşi graduated from the Faculty of Architecture, Yıldız Technical University in 1984. He received a degree in Business Administration and English Language Education at Marmara University and in England. He currently serves as a Chairman of the Turkish Exporters Assembly, Board member of Turk Eximbank, Board member of Turkish Airlines, Assembly member of Istanbul Chamber of Commerce, Board member of Istanbul Development Agency, Board member of Istanbul Leather and Leather Products Exporters' Association, Board member of Energy Efficiency Association, and General Coordinator of Ziyilan Group. He has been a member of the board at the Turkish Leather Foundation, Vice Chairman of

Turkish Exporters Assembly for five years, Board member of Istanbul Chamber of Industry for eight years, Board member of the Turkish Leather Foundation for 6 years, of TOBB-BİS Organize Sanayi ve Teknoloji Bölgeleri A.Ş., TOBTİM Uluslararası Ticaret Merkezi A.Ş., Turkish Do&Co, and Energy Efficiency Association. He was the Chairman of Turkish Shoes Industrialists' Association; Chairman of the Board of Istanbul Leather and Leather Products Exporters' Association between 2000 and 2006, and Founding Chairman of Turkish Footwear Industry Research, Development and Education Foundation between 1997 and 2008. Mr. Büyükekeşi has been a member of the Board of Directors of Turk Eximbank since 24 October 2002.

Işınsu Kestelli, Director

Konya, 1962. Mrs. Kestelli holds a BA in Economics from 9 Eylül University, Faculty of Economics and Administrative Sciences. She is the founding partner of Agrilink Tarım Ürünleri San. ve Tic. Ltd., a company engaged in the international edible oil industry. She became a member of the Edible Oils Professional Committee of the Izmir Commodity Exchange in 1992 and was elected a member of the Board of Directors in 1995, where she later served as Vice Chairperson of the Board of Directors from 2003 to 2009. She was elected as Chairperson of the Board of Directors in 2009. She currently serves as the Chairperson of the Izmir Commodity Exchange, a Board member of Borsa İstanbul A.Ş., a member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Strategy Development High Council, a Board member of Economic Development Foundation, a Board of Trustees member of the Aegean Foundation for Economic Development, a member of the TOBB Women Entrepreneurs Council, a member of the Advisory Board of the Aegean Young Businessmen Association (EGİAD), a Turkey-EU Joint Consultative Committee Member, a member of the Izmir Economic Development Coordination Board, a member of the Advisory Board of Ege University Women's Issues Research Center (EKAM), and a member of the Board of Trustees of the Anadolu Autism Foundation. Mrs. Kestelli was appointed as a member of the Board of Directors of Turk Eximbank on 12 January 2017.

Senior Management

As at the date of this Base Prospectus, the Bank's senior management is comprised of the following members:

Name	Position	Responsibility
Adnan Yıldırım	General Manager	General Manager
Necdet Karadeniz.....	Assistant General Manager	Loan/Insurance Allocation
Enis Gültekin	Assistant General Manager	Loan/Insurance Marketing
Ertan Tanrıyakul.....	Assistant General Manager	Finance, Treasury and Economic Research
Ali Koray Erden.....	Assistant General Manager	International Credits, International Relations and Reinsurance Activities
Hüseyin Çelik.....	Assistant General Manager	Accounting/Operation
Ahmet Kopar.....	Assistant General Manager	Support/HR/Technology

Adnan Yıldırım, General Manager

See “— Board of Directors”.

Necdet Karadeniz, Assistant General Manager

Iğdir, 1959. Mr Karadeniz graduated from the Faculty of Chemistry-Metallurgy of Istanbul Technical University. He received his master's degree in Investment Project Arrangement and Evaluation from Istanbul University. He started his professional career as a quality control engineer in 1987. Mr Karadeniz joined Eximbank in December 2012. Mr Karadeniz was appointed as an Assistant General Manager on 26 May 2017 and is currently in charge of Loan/Insurance Allocation.

Enis Gültekin, Assistant General Manager

Sarıkambiş, 1976. Mr Gültekin graduated from the Department of Finance of the Faculty of Political Sciences of Ankara University. He received his master's degree in Finance from Illinois University in the United States. He started his professional career as an Assistant Specialist in the Türk Eximbank in 1998, and he served in the Board of Sworn-in Bank Auditors in the Undersecretariat of Treasury in 1999 and then in the Board of Sworn-in Bank Auditors in the Banking Regulatory and Supervision Agency and became the chief auditor. Mr Gültekin was appointed to Türk Eximbank as the Assistant General Manager on 17 December 2013. He is currently in charge of credit/insurance marketing.

Ertan Tanrıyakul, Assistant General Manager

Istanbul, 1962. Mr Tanrıyakul holds a degree in Economics from the Middle East Technical University. He started his professional career in the Project Evaluation Department of the State Investment Bank as Assistant Specialist and worked in various posts in different departments after the transformation of the Bank to Türk Eximbank. Mr Tanrıyakul was appointed as an Assistant General Manager on 2 March 1998 and is currently in charge of Treasury and Funding and Economic Research.

Ali Koray Erden, Assistant General Manager

Ankara, 1968. Mr Erden holds a bachelor's degree in economics from the Faculty of Political Sciences, Department of Economics, Ankara University and a master's degree in economics from the City College of the City University of New York. Mr Erden started his professional career in 1993 as a Specialist at Turk Eximbank. Mr Erden held various positions in international relations, business development, corporate finance and project financing at Körfezbank, Alarko Construction Group, Hattat Holding and Ontario Financing Authority, Canada, respectively. Mr Erden returned to Turk Eximbank as a Specialist in May 2012 and was appointed as the Assistant General Manager on 2 March 2018. Mr Erden is currently in charge of International Loans, International Relations and Reinsurance activities.

Hüseyin Çelik, Assistant General Manager

Safranbolu, 1962. Mr Çelik graduated from the Faculty of Economic and Administrative Sciences, Department of Public Finance at Uludağ University. He began his professional career at İktisat Bank. After serving as Assistant General Manager and as a member of the Board of Directors at various banks and institutions. Mr Çelik joined Turk Eximbank in May 2017. He is currently in charge of Financial Affairs and Operations.

Ahmet Kopar, Assistant General Manager

Elazığ, 1955. Mr Kopar graduated from the Mathematical Engineering Department of Karadeniz Technical University. He also holds an MSc from the Institute of Statistics of the Academy of Economics and Commercial Sciences. After working for the IT Department of the State Meteorological Service for nine years, Mr Kopar joined the Bank in 1987. Mr Kopar has held various positions at the Bank, ranging from Expert to Head of IT. Mr Kopar participated in many of the Bank's information technology projects, such as the Bank's Document Management System and Disaster Recovery System. He was appointed as Assistant General Manager in charge of Support in July 2011.

Board Committees

The Board of Directors of the Bank has established an audit committee, executive credit committee and an executive committee.

Audit Committee

To assist the Board of Directors' audit and observation responsibilities, the Audit Committee comprises at least two members of the Board of Directors not possessing executive responsibilities and operates according to article 24 of the Banking Law. On behalf of the Board of Directors, the Audit Committee is authorised and responsible for: ensuring the efficiency and adequacy of the internal control, risk management and internal audit systems; monitoring the operations of internal systems, accounting and reporting systems, and the integrity of information generated by them in compliance with related legislation. In addition, during the Board of Directors' process of appointing independent auditors, rating institutions, evaluation and support services firms, the Audit Committee is responsible for performing pre-assessment of candidates and regularly monitoring the activities of the selected institutions.

The Bank's Audit Committee is composed of two members, Mr Bülent Gökhan Günay and, Mr Mehmet Büyükekşi who are both also non-executive members of the Board of Directors.

Credit Committee

The Bank has four credit committees: the Credit Committee, the General Manager Credit Committee, the Deputy General Manager Credit Committee and the Department Credit Allocation Committee.

The Credit Committee is responsible for approving credit allocations under the supervision of the Board of Directors. The Credit Committee is composed of two members to be elected by the Board of Directors from among its members, who meet the same conditions, save the term, sought for a general manager as per the Banking Law, and has the Acting General Manager or Deputy General Manager as the third member. Two alternate members are elected from among the members of the Board of Directors, who meet the same conditions, save the term, sought for the general manager, to substitute for the members of the credit committee who cannot attend a meeting.

The Credit Committee extends loans under the power that is delegated to it by the Board of Directors within the framework of the principles and procedures determined by relevant legislation. Resolutions adopted by the credit committee unanimously are directly implemented, and resolutions it adopts by majority vote are implemented after approval by the Board of Directors. The Board of Directors is responsible for supervising the operations and decisions of the Credit Committee. The Chairman of the Board of Directors, the Deputy Chairman and each member of the Board of Directors is entitled to request all information regarding the operations of the Credit Committee and perform any kind of audit deemed necessary.

The Credit Committee is vested with the authority to issue credit up to a maximum of 10 per cent. of the Bank's shareholders' equity, limited to credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 50 million). The Credit Committee is chaired by the Acting General Manager and is composed of two other members of the Board of Directors.

The General Manager Credit Committee is vested with the authority to issue credit up to a maximum 1 per cent. of the Bank's shareholders' equity, limited to credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 10 million). It is chaired by the Acting General Manager and its other members include the Assistant General Manager in charge of Loan/Insurance Allocation, Head of Allocation Department, Head of Marketing Department and Head of Financial Analysis and Intelligence Department.

The Deputy General Manager Credit Committee is vested with the authority to issue credit up to a maximum of 0.9 per cent. of the Bank's shareholders' equity, limited to the credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 5 million). It is chaired by the Loan/Insurance Allocation Deputy General Manager and its other members include Head of Allocation Department, Head of Marketing Department and Head of Financial Analysis and Intelligence Department.

The Department Credit Allocation Committee is vested with the authority to issue credit up to a maximum 0.7 per cent. of the Bank's shareholders' equity, limited to the credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 30 million). It is chaired by the Head of Allocation Department and its other members include Allocation Manager and Head of Marketing Department.

Executive Committee

The main function of the Executive Committee is to negotiate the issues to be submitted to the Board of Directors for approval. It also analyses and evaluates draft arrangements on credit principles as well as technical and administrative issues. The main responsibilities of this committee are: to manage assets and liabilities; to submit eligible credit applications of both domestic and overseas projects to the Board of Directors for approval; and to carry out duties assigned by the Board of Directors. Reports on the balance sheet, income statement, financial structure, placement and funding activities are submitted to the Board of Directors at least quarterly.

The Executive Committee is chaired by Mr. Adnan Yıldırım, General Manager. The Bank's assistant general managers comprise the remaining members of this committee.

Corporate Governance

The Bank recognises the importance of maintaining sound corporate governance practices. The Bank's corporate governance practices meet the mandatory requirements imposed by the laws of Turkey, the BRSA and other applicable regulations, as well as the Articles of Association of the Bank. The Bank's corporate governance practices are based on best international practices and form a framework which seeks to ensure consistency and efficiency in the Board's practices and the governance of the Bank. The Bank's corporate governance practices also aim to provide for strategic direction, management supervision and adequate control of the Bank with the ultimate goal of increasing the long-term value of the Bank and protecting its mission, vision and strategy. See "*Business — Strategy*".

Under Turkish law, only listed companies must comply with the mandatory corporate governance rules under the Corporate Governance Communiqué issued by the CMB. Given that the Bank is not a listed company, such regulations are not binding on the Bank. The Bank follows the rules set forth in the Bank's annual programmes which are approved by the Supreme Advisory and Credit Guidance Committee. In the Bank's annual programme for 2016, which takes into account the Turkish government's annual programme and the effects of the global financial crisis on Turkish production sectors and economy, the principles and objectives of the Bank in export financing are set forth, including:

- Within the scope of Basel and following research on the establishment, improvement and implementation of risk management systems by other export credit agencies during the global crisis, establish a bespoke rating system for the Bank;
- Closely monitor the World Trade Organisation (WTO), Organisation for Economic Co-operation and Development (OECD) and European Union (EU) with respect to guidelines on applications for credit,

insurance and guarantee programmes, and revise the Bank's programmes in line with regulations of the WTO, OECD and EU;

- Maintain a financially sound structure in terms of capital adequacy, liquidity, profitability and asset quality so that the Bank will have the same credit ratings as the Turkish Treasury and to borrow in the international markets at the best available prevailing rates; and
- Conduct activities transparently, promote transparency and ethical behaviour among the Bank's employees (through publication of ethical principles on the Bank's intranet) and make all relevant information available for customers and other parties via the Bank's website.

Environment

The Bank has been implementing environmental guidelines in compliance with the OECD Recommendation on Environment and Officially Supported Export Credits and which have been agreed upon by the OECD Export Credits and Credit Guarantees Group. The Environmental Guidelines of the Bank were modified according to the Recommendation Decisions, which were revised in 2007 and became effective with the approval of the OECD Council of Ministers in February 2008. The Bank's Environmental Guidelines were revised in accordance with the OECD's Recommendation Decision in 2012. These environmental guidelines will be applicable to projects or project-related goods and services which have a total value of SDR 10 million and have a repayment period of two years or more under the Bank's credit, insurance and guarantee programmes.

OECD Anti-Bribery Convention

To prevent bribery in international business transactions, 28 member countries of the OECD along with Argentina, Brazil, Bulgaria, Chile and the Slovak Republic agreed on the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the "Convention") on 21 November 1997. After the signing of the Convention by Turkey in December 1997, the Convention was ratified by the Turkish National Assembly on 1 February 2000 with the Act No. 4518.

After the enactment of the Convention, the Export Credits and Credit Guarantees Group ("ECG") of the OECD, in which Turkey is represented by the Undersecretariat of Treasury and the Bank, implemented procedures and practices for exchanging information among the member countries in 1998. In this respect, the ECG's efforts resulted in the Action Statement on Bribery and Officially Supported Export Credits ("Action Statement") being put into effect in 2000.

Upon reviewing the Action Statement, member countries reached a consensus for its improvement and a revised Action Statement, which was agreed in 2006, included clauses for enhancing measures to be taken by the member countries for combating the bribery of foreign public officials in international business transactions benefitting from official export credit support. The Action Statement was converted into an OECD Recommendation by the Council Decision dated 14 December 2006.

With respect to efforts to harmonise Turkish legislation with the OECD legislation, the notion of combating bribery of foreign public officials, which was first inserted into Turkish domestic law by the Act No. 4782 dated 2 January 2003, was also included in the Turkish Criminal Code (Act No. 5237) dated 26 September 2004 and amended by the Act. No. 5377 dated 29 June 2005 (Turkish Criminal Code Article 252/5 9 and 253).

In connection with its OECD obligations, the Bank began requiring "commitments" from exporters benefitting from the Bank's programmes in 2004, in which there were references to the Turkish Criminal Code. The

measures to prevent bribery in international business transactions have been enhanced and further improvements have been executed on a programme-basis after the adoption of the OECD Recommendation.

Sanctions, Anti-Money Laundering Policies and Principles

The Bank regards combating money laundering and financing of terrorism not only as a legal obligation but also as a social responsibility and attaches a great importance to it. The Bank also regards these efforts as an important element of its conformity with international standards. In addition, the Bank also develops its compliance programmes in accordance with national legislation. Pursuant to the Bank’s “Policies and Implementation Principles Regarding Laundering Crime Revenues and Prevention of Financing of Terrorism”, which have been approved by the Board of Directors, the Bank intends to prevent laundering of criminal funds via the Bank and to preclude use of the Bank as a means to finance terrorism-linked activities. The Bank believes that it is not in violation of any applicable sanctions. The Bank also screens against lists of U.S. economic sanctions administered by the U.S. Treasury Department’s Office of Foreign Assets Control and other potentially applicable sanctions regulations, including the sanctions imposed by the EU, UN, Her Majesty’s Treasury and local lists, to determine the existence and extent of any commercial dealings with or for the benefit of specially designated nationals and other sanctions targets.

The Prevention of the Financing of Terrorism

Law No. 6415 on the Prevention of the Financing of Terrorism (“Law No. 6415”) was adopted by the Turkish Grand National Assembly on 7 February 2013 for the purpose of determining the principles and procedures on implementing the United Nation’s 1999 International Convention for the Suppression of Financing of Terrorism and the United Nations Security Council Resolutions related to combating terrorism and the financing of terrorism. The Bank is obligated to comply with the principles and procedures of Law No. 6415. Pursuant to the Bank’s Policies and Implementation Principles Regarding Laundering Crime Revenues and Prevention of Financing of Terrorism, the Board of Directors has also adopted internal principles and policies to prevent money laundering, laundering of criminal proceeds and financing of terrorism, in an effort to ensure that the Bank and its employees are aware of their legal and administrative obligations and that the Bank’s policies, procedures and methods of oversight conform with national regulations and international conventions. The Bank’s goal is to ensure that its operations maintain secure banking activities and the Bank’s credibility and client quality. The current policies, procedures and control methods apply to activities undertaken at the Bank’s headquarters and all branches and liaison offices.

Remuneration

The following table sets forth the aggregate amount paid to members of the Board of Directors and to the Bank’s senior management (seven persons) in salaries and other benefits, as well as post-employment benefits, for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Salaries and other short-term employee benefits	2,979	3,298	2,574
Post-employment benefits.....	—	—	—

Source: IFRS Financial Statements

Members of the Supreme Advisory and Credit Guidance Committee and the Board of Directors do not receive a fee for attending meetings.

Conflicts

None of the members of the Bank's Supreme Advisory and Credit Guidance Committee, Board of Directors or senior management have any existing or potential conflicts of interests with respect to their duties to the Bank and their private interests or other duties.

RELATED PARTY TRANSACTIONS

For the purposes of the IFRS Financial Statements, 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. For the purposes of the IFRS Financial Statements, the shareholders of the Bank together with state-controlled entities in Turkey are considered related parties.

The Bank has entered into a number of banking transactions with related parties in the normal course of business. Other related parties refer to entities that are controlled, jointly controlled or significantly influenced by the Turkish government.

The following table sets forth the Bank's outstanding balances with related parties as at 31 December 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Due from banks			
Other related parties ⁽¹⁾	860,264	592,005	426,574
Loans and advances to customers			
Other related parties ⁽²⁾	2,510,720	2,004,483	1,280,269
Trading securities			
Turkish Treasury ⁽³⁾	11,710	10,678	10,593
Investment securities — Held to maturity			
Turkish Treasury ⁽⁴⁾	180,461	98,549	255,968
Other assets			
Turkish Treasury.....	—	—	391
Funds borrowed			
Other related parties ⁽⁵⁾	42,005,781	32,272,616	22,955,874
Other liabilities			
Other related parties.....	1,100	—	—

Notes:

- (1) The average interest rate for due from banks was 13.91 per cent. as at 31 December 2017, as compared to 7.95 per cent. as at 31 December 2016 and 4.91 per cent. as at 31 December 2015.
- (2) The average interest rate for loans and advances to customers was 4.05 per cent. as at 31 December 2017, as compared to 3.99 per cent. as at 31 December 2016 and 5.28 per cent. as at 31 December 2015.
- (3) The average interest rate for trading securities was 8.2 per cent. as at 31 December 2017, as compared to 6.8 per cent. as at 31 December 2016 and 7.0 per cent. as at 31 December 2015.
- (4) The average interest rate for investment securities was 9.5 per cent. as at 31 December 2017, as compared to 9.7 per cent. as at 31 December 2016 and 4.8 per cent. as at 31 December 2015.

(5) The average interest rate on funds borrowed was 0.93 per cent. as at 31 December 2017, as compared to 0.93 per cent. as at 31 December 2016 and 1.0 per cent. as at 31 December 2015.

Source: IFRS Financial Statements

The following table sets forth income statement information with respect to the Bank's transactions with related parties for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousands of TL)</i>		
Interest income on investment and trading securities			
Turkish Treasury	21,385	24,934	24,599
Interest income on loans and advances to customers			
Other related parties.....	65,326	56,200	50,862
Interest expense on funds borrowed			
Other related parties.....	279,861	153,839	77,123
Operating Expenses (taxes paid)			
Other related parties.....	8,288	5,882	1,794

Source: IFRS Financial Statements

TURKISH BANKING SYSTEM

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

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to U.S.\$4,916 million at the end of 2001 from U.S.\$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, following which all private commercial banks were either found to be in compliance with the 8 per cent. minimum capital requirement, transferred to the SDIF or asked to increase their capital levels). The transparency of the system has improved through the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were reduced while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 26 private banks have (as at the date of this Base Prospectus) been transferred to the SDIF due to, among other things, weakened financial stability and liquidity.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking sector, the government reduced the rate of the Resource Utilisation Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; however, the 3 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from 2 January 2013, RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years increased from 0 per cent. to 1 per cent., and those with an average maturity of between two to three years increased from 0 per cent. to 0.5 per cent., while those with an average maturity of three years or more remained at 0 per cent. The government also increased the RUSF charged on interest on foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand for credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers set the RUSF charged on consumer credits to be utilised by real persons (for non-commercial utilisation) at 15 per cent. with its decision № 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade, with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 as at 31 December 2008. The total number of banks remained at that level until February 2011, when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. Since 2012, Odea Bank A.Ş., MUFG Bank, Ltd., London Branch (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch), Intesa Sanpaolo S.p.A. and Rabobank A.Ş. started their operations in Turkey. In October 2012, Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. On 2 April 2015, the BRSA announced that Commercial Bank of China acquired 75.5 per cent. of the shares of Tekstil Bank A.Ş. from GSD Holding A.S. In December 2015, National Bank of Greece entered into an agreement with QNB regarding the sale of its entire stake in QNB Finansbank A.Ş., which share transfer was finalised in 2016. 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. After the BRSA granted permission for Bank of China Limited to establish a deposit-taking bank in Turkey in May 2016, Bank of China Turkey was launched in January 2017. The Turkish government has recently established a sovereign wealth fund. While the structure, mandate and use of this fund are not yet clear, shares held by the government in certain banks and other companies, including Ziraat and Halkbank, have been transferred to (or announced to be transferred to) this fund.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of banks ⁽¹⁾	46	45	45	45	44	45	45	47	47	47	47

Note:

(1) Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

Source: Banks Association of Turkey (www.tbb.org.tr)

As at 31 December 2017, 47 banks (including domestic and foreign banks, but excluding the Central Bank) were operating in Turkey (excluding participation banks). 34 of these were deposit-taking banks and the remaining banks were development and investment banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium- and long-term funding for investment in different sectors.

Competition

The Turkish banking industry is highly competitive and relatively concentrated, with the ten largest deposit-taking banks accounting for 90.0 per cent. of total assets of deposit-taking banks as at 31 December 2017, according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks—Ziraat,

Halkbank and Vakıfbank, which were ranked first, sixth and seventh, respectively, in terms of total assets as at 31 December 2016, according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 34.4 per cent. of deposit-taking Turkish banks' performing loans and 36.2 per cent. of customer deposits as of such date, according to the BRSA. The top four privately owned domestic banks as of such date were İşbank, Garanti, Akbank and Yapı Kredi Bank, which in total accounted for 47.5 per cent. of deposit-taking Turkish banks' performing loans and 45.8 per cent. of customer deposits as of such date, according to the BRSA. The remaining banks in the top ten deposit-taking banks in Turkey as of such date included three mid-sized banks, namely Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası, which were controlled by QNB, Sberbank and TEB Holding, respectively, as at 31 December 2016.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

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

The Role of the BRSA

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

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

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

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

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

environments and strategic plans, is required to be submitted annually by the end of March 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 Role of the Central Bank

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

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

Turkish Banks Association

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

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10 per cent. 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 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the Banking Regulation and Supervision Board (the "BRSB") in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the Board of Directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSB. 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. In addition, the acquisition or transfer of any shares of a legal entity that owns 10 per cent. or more of the capital of a bank is subject to BRSB approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. The BRSB's permission might be given on the condition that the person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in

which such shares of a bank are transferred without the permission of the BRSB, the voting and other shareholder rights of the legal person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

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

Lending Limits

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

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25 per cent. of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a Board of Directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the Board of Directors or general managers constitute a risk group,

for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSB's discretion to increase such lending limits up to 25 per cent. or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1 per cent. of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's capital equity.

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

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

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

- transactions backed by cash, cash-like instruments and accounts and precious metals;
- transactions carried out with the Turkish Treasury, the Central Bank, the Privatization Administration and the Housing Development Administration of Turkey, as well as transactions carried out against bonds, bills and other securities issued by or payment of which is guaranteed by these institutions;
- transactions carried out in money markets established by the Central Bank or pursuant to special laws;
- in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements;
- equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow;
- transactions carried out among banks on the basis set out by the BRSA;
- equity participations acquired through underwriting commitments in public offerings; provided that such participations are disposed of in a manner and at a time determined by the BRSA;
- transactions that are taken into account as deductibles in calculation of own funds; and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

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

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA (principally through the provisions of the Classification of Loans and Provisions Regulation, which entered into force as of 1 January 2018 (“Classification of Loans and Provisions Regulation”) and replaced the former regulation (i.e., the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside).

Pursuant to the Classification of Loans and Provisions Regulation, banks are required to classify their loans and receivables into one of the following groups:

- *Group I: Loans of a Standard Nature:* This Group involves loans (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables; and shall be understood as such elsewhere in this Base Prospectus):
 - (a) that have been disbursed to financially creditworthy natural persons and legal entities with financial creditworthiness;
 - (b) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
 - (c) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no reimbursement problems are expected in the future, and that have the ability to be collected in full without recourse to any security;
 - (d) for which no weakening of the creditworthiness of the applicable debtor has been found; and
 - (e) to which 12 months expected credit loss reserve applies under TFRS 9.

The terms of a bank’s loans and receivables monitored in this Group may be modified if such loans and receivables continue to have the conditions envisaged for this Group.

- *Group II: Closely Monitored Loans:* This group involves loans:
 - (a) that have been disbursed to natural persons and legal entities with financial creditworthiness 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,
 - (b) that need 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,
 - (c) in connection with which problems are likely to occur as to principal and/or interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any security,

- (d) although the standing of the debtor has not weakened in comparison with its credit standing on the day the loan was granted, there is a high likelihood of such weakening due to the debtor's irregular and unmanageable cash flow,
 - (e) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing,
 - (f) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9,
 - (g) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount,
 - (h) that have been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL, or
 - (i) that have 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.
- *Group III: Loans with Limited Recovery:* This group involves loans:
 - (a) in connection with which the debtor's creditworthiness has weakened,
 - (b) that demonstrate limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the security or the debtor's resources to meet the collection of the full amount on the due date without any recourse to the security, and that would likely result in losses in case such problems are not resolved,
 - (c) collection of whose principal and interest or both has/have been delayed for more than 90 days but not more than 180 days from the due date,
 - (d) in connection with which the bank is of the opinion that collection of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity 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
 - (e) that have been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.
 - *Group IV: Loans with Suspicious Recovery:* This group involves loans:
 - (a) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any security,
 - (b) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's credit standing or the possibility of the credit being collected,
 - (c) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date), or

- (d) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.
- *Group V: Loans Considered as Losses:* This group involves loans:
 - (a) 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,
 - (b) 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
 - (c) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, 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 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 case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; however, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view to whether such loans are to be reclassified under different groups, which evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments in macroeconomic circumstances or the sector in which the respective debtor operates that pose risk on such debtor's performance of its obligations. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans that have been fully or partially excluded from the assets of the banks, security for which has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified

as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10 per cent. 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.

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; however, the BRSA may, on exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, “twelve-months expected credit loss reserve” and “lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor” are considered as general provisions while “lifetime expected credit loss reserve set aside due to debtor’s default” is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the Classification of Loans and Provisions Regulation. In this respect, such banks shall set aside general provisions for at least 1.5 per cent. and 3.0 per cent. 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 2015 Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government and the Central Bank and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not 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 of at least 20 per cent., 50 per cent., and 100 per cent., respectively.

For both general provisions and special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements for certain banks or loans taking into account the concentration, from time to time, of matters such as the size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, security and the credit risk level and management.

Given the nature of the Group’s operations, TFRS 9 is expected to impact the Bank’s financial statements, in particular the calculation of impairment of financial instruments on an expected credit loss basis, which, in turn, is expected to result in a change in the overall level of impairment allowance; however, such impact cannot be quantified until the Bank’s assessment is completed.

Pursuant to the Classification of Loans and Provisions Regulation, the main principles, among others, with regard to collateral that the banks must consider are as follows:

- The banks can benefit from collateral to minimize the risk that they are exposed to. However, the transactions must be made by primarily taking into account the repayment capacity of the debtor. The collateral provided to the bank must not cause an inaccuracy in the effective evaluation of a client;
- The banks must set forth its collateral management principles and procedures in writing;
- Legal validity and form of the collateral must be examined prior to the establishment of the collateral. In addition, the following criteria regarding the underlying asset must also be taken into consideration:
 - (a) easy determinability or measurability and a reasonable justification of market value;
 - (b) marketability and whether there is a spot market for the disposal of the asset;
 - (c) whether there is a right attached to the asset preventing or restricting its liquidation; and
 - (d) systems required for the management of the asset must be in place;
- Banks must ensure that the collateral is legally valid and the collateral agreement is fully binding;
- Collateralization of the asset other than those within the scope of the loan conditions must be included in the loan files together with the information on the reason for such collateralization;
- The collateral must be assessed by persons having sufficient information and expertise. Further, adequate measures to keep the information of market conditions up-to-date must be taken;
- Collateral which is easy to liquidate must be preferred for collateralization. Also, conformity of currency between the loan and the collateral and price volatility of the asset must be taken into consideration;
- The banks must ensure that relevant units will be able to monitor collateral through a system;
- Collateral must be limited and monitored to avoid any concentration risk; and
- Collateral must be periodically reported to relevant management units.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the Classification of Loans and Provisions 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:

Category	Discount Rate
Category I collateral	100 %
Category II collateral	80 %
Category III collateral	60 %
Category IV collateral	40 %
Category V collateral	20 %

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

Capital Adequacy

Article 45 of the Banking Law defines “*capital adequacy*” as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA’s regulations, cannot be less than 8 per cent.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank’s internal systems as well as its asset and financial structures. The Bank’s minimum total capital adequacy ratio as required by the BRSA is (as at the date of this Base Prospectus) 8 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio of 8 per cent.

The Capital Adequacy Regulation published by the BRSA allows the Bank to use ratings of eligible external credit assessment institutions (namely the Rating Agencies, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency (“IIRA”)) while calculating the risk-weighted assets for capital adequacy purposes. The Bank currently uses Fitch ratings to calculate its capital adequacy ratio.

In order to implement the rules of the report entitled “A Global Regulatory Framework for More Resilient Banks and Banking Systems” published by the Basel Committee on Banking Supervision (the “Basel Committee”) in December 2010 and revised in June 2011 (i.e., Basel III) into the applicable law in Turkey, the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014 and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e., Tier 1 capital), which is composed of core capital (i.e., Common Equity Tier 1 capital) and additional principal capital (i.e., additional Tier 1 capital) and (b) supplementary capital (i.e., Tier 2 capital) minus capital deductions. Pursuant to the 2015 Capital Adequacy Regulation (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent. and (ii) both the minimum Tier 1 capital adequacy ratio and the minimum consolidated Tier 1 capital ratio are 6.0 per cent.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016) in accordance with the Basel Committee’s RCAP, which is conducted by the BIS with a view to ensure Turkey’s compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, included revisions to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 in replacement of the 2012 Capital Adequacy Regulation. The 2015 Capital Adequacy Regulation sustained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items, including: (a) the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA amended its guidance to allow foreign exchanged-denominated required reserves held with the Central Bank to be subject to a 0 per cent. risk weight, and (b) the exclusion of free provision for possible losses from capital calculations.

The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. According to such regulation, only Turkish Lira-denominated claims against the Central Bank continue to be subject to a preferential treatment of 0 per cent. risk weight, whereas the risk weights of foreign currency-denominated claims against the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the

BRSA published a decision that enables banks to use a 0 per cent. risk weight for foreign currency required reserves in the Central Bank.

On the other hand, the 2015 Capital Adequacy Regulation lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50 per cent. to 35 per cent. and (b) the risk weights of consumer loans qualifying as retail loans (*perakende alacaklar*) (excluding residential mortgage loans and credit cards) and installment payments of credit cards from a range of 100 per cent. to 250 per cent. (depending upon their outstanding tenor) to 75 per cent. (irrespective of their tenor); provided that such receivables are not reclassified as NPLs (*donuk alacaklar*), and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20 per cent. to 0 per cent. As of 7 February 2017, the BRSA published a decision that enables banks to use 0 per cent. risk weightings for Turkish Lira-denominated exposures guaranteed by the KGF and supported by the Turkish Treasury. On 23 January 2017, the BRSA amended the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75 per cent. risk weight, from TL 3,725,000 to TL 4,200,000.

On 11 July 2017, subclause (b) of the 9th clause of the 2013 Equity Regulation was repealed. In this context, the excess amount mentioned in Article 57 of the Banking Law (i.e., “the total book value of the real property owned by a bank cannot exceed 50 per cent. of its capital base”), and the commodity goods and properties that banks acquire due to their receivables (e.g., foreclosed-upon collateral) but have not disposed within three years, are no longer deducted from a bank’s capital base.

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Bank does not have any additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (among others): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2 Conditions (i.e., the condition regarding the loss absorption due to the cancellation of a bank’s license or transfer of Management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier 2 calculations after being reduced by 20 per cent. for the period between 1 January 2014 and 31 December 2014 and by 10 per cent. for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and 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 conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 1.25 per cent. for 2017, 1.875 per cent. for 2018 and 2.5 per cent. for 2019. through 2019. The BRSA has published: (a) its decision dated 18 December 2015 № 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 № 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks’ exposures in Turkey was initially set at 0 per cent. of a bank’s risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. While deciding on the countercyclical capital buffer, the BRSA will rely upon the credit-to-GDP gap as a common reference point in line with the guidance of the BIS. 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 at the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, which entered into force on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015) and seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks (including measurement error in the risk-based capital measurement approach). Lastly, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and non-consolidated liquidity and 80 per cent. in respect of total consolidated and non-consolidated foreign exchange liquidity; however, pursuant to the BRSA Decision on Liquidity Ratios, for a period between 5 January 2015 and 31 December 2015, such ratios were applied as 60 per cent. and 40 per cent., respectively, and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0 per cent. liquidity adequacy ratio limit applies to deposit banks. On 15 August 2017, the BRSA revised the ratio of required reserves held with the Central Bank that can be included in liquidity calculations from 50 per cent. to 100 per cent. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliance that has 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 non-compliance that has already been remedied.

Under the 2013 Equity Regulation, debt instruments and their issuance premia could be included either in additional Tier 1 capital or in Tier 2 capital subject to certain conditions; however, as at 31 March 2016, such amount is required to be reduced (for purposes of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

In accordance with Basel III rules, each bank is required to prepare an ICAAP Report representing its own assessment of its capital requirements (see “—*Regulatory Institutions*” above). See also a discussion of the implementation of Basel III in Turkey under “—*Basel Committee—Basel III*” below.

According to the 2013 Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the Board of Directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the “Tier 2 Conditions”):

- (1) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;
- (2) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors;
- (3) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;

- (4) 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;
- (5) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:
 - (iii) the Bank should not create any market expectation that the option will be exercised by the Bank;
 - (iv) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations; or
 - (v) following the exercise of the option, the equity of the bank shall exceed the higher of: (i) the capital adequacy requirement that is to be calculated pursuant to the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer; (ii) the capital requirement derived as a result of an internal capital adequacy assessment process of the Bank; and (c) the higher capital requirement set by the BRSA (if any); however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; provided that the above conditions in this clause (5) are met and the BRSA approves;
- (6) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the Issuer;
- (7) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;
- (8) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;
- (9) if there is a possibility that the bank's operating license would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the bank's loss, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides;
- (10) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above; and
- (11) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (5).

As per the amendments introduced to the 2013 Equity Regulation on 14 March 2018, general provisions that are set aside for receivables will not be included in the calculation of Tier 2 capital as of 1 January 2020.

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates, are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the Board of Directors of the applicable bank accompanied by a written statement confirming that all of the New Tier 2 Conditions (except for the condition indicated in clause (a) of the New Tier 2 Conditions) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the Bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that: (a) the portion of general provisions that exceeds 1.25 per cent. of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds six parts per 1,000 of the receivables to which they relate is not taken into consideration.

Furthermore, in addition to the New Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier 2 capital are required to be accompanied by the CMB registration letter and the terms of the debt instrument or the original copy or a notarised copy of the applicable loan agreement(s), as the case may be. If an applicable loan agreement is not yet signed, a draft of such agreement is filed with the BRSA. If the terms of the executed loan agreement or issued debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors of the applicable bank confirming that such difference does not affect Tier 2 capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as at 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 2 capital calculations, and that have less than five years to maturity, shall be included in Tier 2 capital calculations after being reduced by 20 per cent. each year.

Basel Committee

Basel II

The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as at the date of this Base Prospectus) results in a 50 per cent. 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 per cent. risk weight. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated reserves on the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA published guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime.

Basel III

Turkish banks’ capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the 2013 Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to 2012 Capital Adequacy Regulation, which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorised under “other assets”. The 2013 Equity Regulation has also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015, № 29511 and 20 January 2016, № 29599, which amendments also entered into force on 31 March 2016. For the amendments related to the leverage ratios and capital adequacy ratio of banks, see “*Capital Adequacy*” above.

The BIS reviewed Turkey’s compliance with Basel regulations within the scope of the Basel Committee’s RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Bank’s business, financial condition and/or results of operations.

In February 2016, the BRSA published the D SIBs Regulation and introduced additional capital requirements for D SIBs in line with the requirements of Basel III. The BRSA defines D SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are classified under four categories based upon a score set by the BRSA and are required to keep additional core Tier 1 capital buffers up to a further 3 per cent. buffer for Group 4 banks, 2 per cent. for Group 3, 1.5 per cent. for Group 2 and 1 per cent. for Group 1. In 2017, capital buffer requirements for D SIBs have been applied as 1.5 per cent. for Group 4; 1 per cent. for Group 3, 0.75 per cent. for Group 2 and 0.5 per cent. for Group 1 and in 2018, these ratios are to be applied as 2.25 per cent. for Group 4; 1.5 per cent. for Group 3, 1.125 per cent. for Group 2 and 0.75 per cent. for Group 1. The buffers are to be fully implemented by 2019. Given the nature of the Bank’s existing capital base, mostly composed of common equity and retained earnings, 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.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements, the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (i) a portion of the Turkish Lira reserve requirements in U.S. Dollars and another portion of the Turkish Lira reserve requirements in standard gold and (ii) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. Dollar-denominated liabilities in U.S. Dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank’s capital into the sum of the following items:

- its total liabilities;
- its total non-cash loans and obligations;
- its revocable commitments multiplied by 0.1;
- the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and
- its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014.....	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2014 through the 3rd quarter of 2015.....	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)..	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain 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. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60 per cent. and 40 per cent., respectively, and (in the absence of any new arrangement) such ratios shall be (and have been) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0 per cent. liquidity adequacy ratio limit applies to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20 per cent., which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's Board of Directors is required to establish audit committees for the execution of the audit and monitoring functions of the Board of Directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the Board of Directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the Board of Directors; regularly monitoring the activities of independent audit firms selected by the Board of Directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the Board of Directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and numbered 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (i) independent auditors and (ii) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The Internal Systems Regulation established standards as to principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the Internal Systems Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among others things, new stress test requirements. Accordingly, the Board of Directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. In addition, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the Internal Systems Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits (except for commercial deposits) held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Undersecretariat of Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

Borrowings of the SDIF

The SDIF: (i) may incur indebtedness with authorisation from the Turkish Treasury or (ii) the Turkish Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Undersecretariat of Treasury, are to be determined together by the Undersecretariat of Treasury and the SDIF.

Power to require Advances from Banks

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

Contribution of the Central Bank

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the Board of Directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

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 Law № 2004, 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 privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119, and as amended from time to time, are as follows:

- ensuring the enforcement of the SDIF board's decisions;
- establishing the human resources policies of the SDIF;
- becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty;
- insuring the savings deposits and participation accounts in the credit institutions;
- determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Turkish Treasury, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA;
- paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose operating permission has been revoked by the BRSA;
- fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital;
- taking management and control of the banks whose operating permission has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks;
- requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law;
- issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision; and
- fulfilling the other duties that the Banking Law and other related legislation assigned to it.

Cancellation of Banking License

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's Board of Directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- 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 not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSB;
- such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems; or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the Board of Directors of such bank:

- to increase its equity capital;
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to limit its salary and other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions by re-evaluating its credit policy;
- to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA; and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA

determines that taking such actions will not lead to a favourable result, then the BRSB may require such bank to:

- strengthen its financial structure, increase its liquidity and/or increase its capital adequacy;
- dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSB;
- decrease its operational and management costs;
- postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees;
- limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- convene an extraordinary general assembly in order to change some or all of the members of the Board of Directors or assign new member(s) to the Board of Directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the Board of Directors cause(s) to increase risks significantly as stipulated above;
- implement short-, medium- or long-term plans and projections that are approved by the BRSB to decrease the risks incurred by the bank and the members of the Board of Directors and the shareholders with qualified shares must undertake the implementation of such plan in writing; and/or
- to take any other action that the BRSB may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSB may require such bank to:

- limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period;
- apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation;
- remove from office (in whole or in part) some or all of its members of the Board of Directors, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them;
- make available long-term loans; provided that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders;
- limit or cease its non-performing operations and to dispose of its non-performing assets;
- merge with one or more other interested bank(s);
- provide new shareholders in order to increase its equity capital;
- deduct any resulting losses from its own funds; and/or
- take any other action that the BRSB may deem necessary.

In the event that: (i) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months; (ii) the financial structure of such bank cannot be strengthened despite its having taken such actions; (iii) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure; (iv) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system; (v) such bank cannot cover its liabilities as they become due; (vi) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (vii) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; provided that any loss is deducted from the share capital of current shareholders.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose operating permission is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette dated 1 November 2006 and numbered 26333, the chairman of the

board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors are required to issue a Report on Compliance that the annual reports prepared by report of the banks.

Board Directors is presented fairly and consistent with the audited unconsolidated financial statements in all material respects. Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the Board of Directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Pursuant to BRSA regulations, banks must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the 2013 Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier 1 capital) and supplementary capital (i.e., Tier 2 capital), on the bank's website. In addition, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (entering into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff № 8 attached to the Law on Fees (Law № 492) amended by the Law № 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa Istanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa Istanbul. Given that the Bank is not a listed company, such regulations are not binding on the Bank. The Bank follows the rules set forth in the Bank's annual programmes which are approved by the Supreme Advisory and Credit Guidance Committee. Within the framework of the rules and objectives of the annual programs, the Board of Directors and the General Directorate are authorised, either generally or related to country- or sector-specific groups, to carry out assignments within the limits of a range of credit transaction, guarantee and insurance programs.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law № 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments, especially credit card instalments. The rules: (i) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements; (ii) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank; (iii) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card; and (iv) increase the minimum monthly payment required to be made by cardholders. On 6 September 2016, the BRSA increased the credit limit from TL 1,000 to TL 1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit cards limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30 per cent., 35 per cent. and 40 per cent. for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40 per cent. for newly issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for

instalment payments of credit cards to 75 per cent., irrespective of their tenor, which was in a range of 100 per cent. to 250 per cent., depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewelry expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article to the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law № 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In November 2016, the Central Bank published the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions, replacing the existing communiqué as of 1 January 2017. Under the new regulation, the Central Bank determined revised maximum contractual and default interest rates for Turkish Lira and foreign currency credit card transactions. The new monthly maximum contractual and default interest rates are (as at the date of this Base Prospectus) 1.84 per cent. and 1.47 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as at the date of this Base Prospectus) 2.34 per cent. and 1.97 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans and on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the

minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses is 80 per cent (which was 75 per cent. before such amendments). In addition, for auto loans extended to consumers, for loans secured by autos and for autos leased under financial lease transactions, the loan-to-value requirement is set at 70 per cent.; provided that in each case the sale price of the respective auto is not higher than TL 100,000; however, if the sale price of the respective auto is above this TL 100,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70 per cent. and the remainder is set at 50 per cent. As for limitations regarding instalments (as amended by the BRSA from time to time), the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and any refinancing of the same) are not permitted to exceed 48 months.

Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans, which include loans provided for durable and semi-durable consumer goods, weddings, education and health, utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of such restructuring).

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees.

Credit Guarantee Fund (KGF)

The KGF was established pursuant to Decree № 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law № 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount has been increased to TL 25 billion in accordance with the Law № 6670 dated 18 January 2017. In addition, pursuant to Decree № 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette № 29896 and dated 22 November 2016) and Decree № 2017/9969 regarding amendments to the Decree on Treasury Support to be provided to the Credit Guarantee Institutions, the KGF guarantees are supported by the Turkish Treasury. The KGF can provide guarantees for up to 90 per cent. of the sum of interest, dividend and rent payments except for the default interest and principal balance on the date of loan payment for SMEs and up to 85 per cent. of such amounts for non-SMEs. If a loan is provided through the Bank to an SME or (b) a non-SME engaged in foreign exchange earning activities, then these loans may be guaranteed up to 100 per cent. The guarantee covers up to 7.0 per cent. of NPLs comprising loans to SME borrowers extended under the KGF programme, as a percentage of total NPLs extended under the KGF programme (including all NPLs extended by any participating Turkish bank). If SME NPLs exceed 7 per cent. of the Bank's total loan portfolio granted under the KGF programme, then the Bank will bear the risk for the amount of the NPL in excess of such 7 per cent. level and such loans will be subject to conventional collection efforts.

Risk Management Disclosure

The BRSA issued Communiqué on Disclosures to Public Regarding Risk Management published in the Official Gazette dated 23 October 2015 and numbered 29511 (as amended by a regulation published in the

Official Gazette dated 20 January 2016 and numbered 29599) which entered into force on 31 March 2016 and outlines procedures and principles of consolidated and unconsolidated risk management disclosure to be made by the banks. According to the Communique, any information regarding risk management must be included in financial reports as a separate section. Disclosures must be easily accessible and must facilitate measurement and assessment of information given by banks. Banks must keep an online disclosure database, showing five years of records and the online database must be available on a bank's website from 31 March 2016 onward. Disclosures made within the scope of the Communique are subject to independent audit.

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 significant majority of the provisions of the Law No. 6698 became effective from 7 April 2016.

Under the Law No. 6698, the main rule to collect and process personal data is to obtain explicit consent of the person whose data will be collected/processed ("Data Subject"). However, personal data can also be collected and processed without the Data Subject's consent if any of the conditions stated below exists:

- collection and processing is permitted by any specific law provision;
- the Data Subject is subject to 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;
- processing is necessary for forming or performance of a contract to which the Data Subject will be/is party;
- processing is mandatory for data controller to perform his/her legal duties;
- personal data has been made available to public by the Data Subject himself/herself; or
- processing is mandatory for assigning, using or protecting a right.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, way of appearance and dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered special categories of data. 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.

However, explicit consent of the Data Subject is not required under any of the conditions below:

- collection and processing is permitted by any specific law provision;
- collection and processing of members' sensitive data by non-profit organisations (political parties, unions, foundations) on the condition that (i) such collection/processing is in line with law and their scope of activity and (ii) sensitive data is not disclosed to third parties;
- sensitive personal data has been made available to public by the Data Subject himself/herself;
- collection and processing is mandatory for assigning, using or protecting a right; and

- collection and processing by parties or relevant authorities under confidentiality obligation for the purposes protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third parties with explicit consent of the Data Subject. However, personal data can be transferred to third parties without consent of the Data Subject if:

- collection and processing is permitted by any specific law provision;
- the Data Subject is subject to 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;
- processing is necessary for forming or performance of a contract to which the Data Subject will be/is party to;
- processing is mandatory for the data controller to perform his/her legal duties;
- personal data has been opened to public by the Data Subject himself/herself; and
- processing is mandatory for assigning, using or protecting a right.

If transfer is made by parties under confidentiality obligation or relevant authorities for the purposes protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third countries with the Data Subject's explicit consent. Further, the criteria that is applied for transfer of personal data to third parties shall be applied to the transfer of personal data to third countries if:

- the third country has sufficient protection; or
- data controllers in Turkey and the third country guarantee protection of personal data in writing and the Data Protection Board allows such transfer.

The Data Protection Board will decide whether a certain third country is qualified as providing sufficient protection for personal data. All personal data, processed or collected before the enactment of the Law No. 6698, should be brought in conformity with the articles of Law No. 6698 within two years.

Foreign Exchange Legislation

Decree 32 has recently been amended to take effect from 2 May 2018 with a view to introduce new restrictions on Turkish corporates to utilize foreign currency loans from Turkey and outside of Turkey. While the new regime continues to maintain existing prohibition on Turkish individuals to utilise foreign exchange loans and foreign exchange indexed loans, it introduces a strict prohibition on Turkish non-bank corporates ("Corporate Borrower") to utilise foreign currency indexed loans and also brings in new restrictions on Corporate Borrowers to utilise foreign currency loans ("F/X Loan Restriction").

Accordingly, a Corporate Borrower shall be permitted to utilize 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 ("F/X Revenue Exemption") in the new legislation; (ii) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction ("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 (i) the foreign currency loan to be utilised; and, (ii) the existing Loan Balance must not be more than the combined value of its foreign currency revenues as stated in its last three years financials. Otherwise, the exceeding portion of the foreign currency loan must either be cancelled or converted into Turkish Lira.

In regards to the Activity Exemption, a legal entity must qualify as a public institution, banks and factoring, financial leasing and financing companies 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 (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; (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 utilize is limited to the amount stated in its certified sources of foreign revenue.

Further to the amendments in relation to Decree 32, the Central Bank published the Regulation on Procedures and Principles for Monitoring the Transactions Affecting the Foreign Exchange Positions on 17 February 2018 (“Foreign Exchange Positions Regulation”). Pursuant to the Foreign Exchange Positions Regulation, all companies with foreign currency loans and foreign currency indexed loans amounting to higher than U.S.\$15 million (or its equivalent in other foreign currencies) utilised from Turkey or from abroad are required to notify the Central Bank. While calculating the U.S. Dollar equivalent of other foreign currencies, foreign exchange rates published in the Official Gazette on the last business day of the relevant accounting period will be considered. Calculation of the total amount of foreign exchange loans and foreign currency indexed loans will be made in accordance with the financial position statements prepared based on the TAS. If the borrower company does not have financial position statements prepared based on TAS, the calculation will be made based on the balance sheets to be submitted to the public authorities within the framework of tax legislation. Companies with the notification requirement are required to engage with an auditor, execute an audit agreement and such auditor will conduct the required audit to form its opinion and submit such opinion to the relevant tracking system to be established by the Central Bank.

Note that further legislation will be issued by the Turkish regulators, which is expected to provide further guidance in the interpretation and implementation of the new foreign exchange regime.

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.

In accordance with the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the CRA and the interests therein recorded in the CRA; however, upon the Issuer’s request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside of Turkey. Further to the Issuer’s submission of an exemption request to the CMB, such exemption has been granted by the CMB to the Issuer in the CMB Approval. As a result, this requirement will not be applicable to the Notes issued pursuant to the CMB Approval.

Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the date of issuance of any Notes, of the amount, issue date, ISIN code, the interest commencement date, maturity date, interest rate, name of the custodian, currency of the Notes and country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a 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 direct participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is 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”) 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 SEC. Participants with which beneficial owners of DTC Notes (“Beneficial Owners”) have accounts with

respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners who hold interests in DTC Notes through Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

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

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., 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 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 Procedure. 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 or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

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

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 depository 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 depository 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 depository). 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 Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants or if not possible to so effect it, to withdraw its Registered Notes from DTC as described below.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of a number of currencies, including U.S. Dollars and Turkish Lira. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise

and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg accountholders.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Notes

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Note(s) accepted in its book-entry settlement system. Upon the issue of any such Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by such Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer or investor. Interests in such a Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to accountholders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of Euroclear and/or Clearstream, Luxembourg accountholders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg accountholders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

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

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

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

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

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

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is

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

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations nor will the Issuer, 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.

TAXATION

General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of such laws, or the laws of other jurisdictions (such as United Kingdom or U.S. tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. 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:

- 10 per cent. withholding tax for notes with an original maturity of less than one year,
- 7 per cent. withholding tax for notes with an original maturity of at least one year and less than three years,
- 3 per cent. withholding tax for notes with an original maturity of at least three years and less than five years, and
- 0 per cent. withholding tax for notes with an original maturity of five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term “beneficial owner” is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common 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. Primary Market transactions referred to in Article 5(e) of Regulation (EC) No.1287/2006 are 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.

The FTT proposal remains subject to negotiation between the participating Member States. 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.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (such programme agreement as modified and/or supplemented and/or restate from time to time the “Programme Agreement”) dated 24 April 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 and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Dealers may be required to make because of those liabilities.

Any offers and sales of the Notes in the United States may only be made by those Dealers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. One or more Dealers participating in the offering of any Tranche of Notes issued under the Programme may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

The Issuer expects that delivery of interests in Notes will be made on the issue date for such Notes, as such date will be communicated in connection with the offer and sale of such Notes. Potential investors that are U.S. persons should note that the issue date may be more than three business days (this settlement cycle being referred to as “T+3”) following the trade date of such Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in Notes issued under the Programme on the trade date relating to such Notes or the next New York business days will be required, by virtue of the fact that the Notes initially may settle on a settlement cycle longer than T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in Notes issued under the Programme on their trade date or the next New York business days should consult their own adviser.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with

and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or otherwise participate in transactions with the Issuer.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. In addition, certain of the Dealers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse affect on the future trading prices of the Notes offered hereby from time to time.

The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme. Pursuant to the CMB Approval and the BRSA 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 its related legislation and the Capital Markets Law and its related legislation. In addition, Notes may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA 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 sale or offering of Notes may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes offshore on an unsolicited (reverse inquiry) basis *provided* that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to CMB and/or BRSA regulations and the purchase price is transferred through banks. As such, Turkish residents should transfer the purchase price through licensed banks authorised under the BRSA regulations.

A written approval from the CMB (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) approved by the CMB or in any other form required under the applicable legislation) in respect of each Tranche of Notes shall be obtained by the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain all authorisations and approvals of the CMB as necessary for the offer, sale and issue of Notes under the Programme.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the

registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

In connection with any Regulation S Notes each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor to which it sells any Regulation S Notes during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes other than in an offshore transaction to a person that is not a U.S. person by any distributor 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 Registered Notes to QIBs that are also QPs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Deed Poll to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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 the 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 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); 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 the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes

other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“FSMA”) by the Issuer

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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, and regulations and ministerial guidelines of Japan.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

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 and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Switzerland

In Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed with or approved by any Swiss regulatory authority. Notes issued under the Programme do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority (“FINMA”), and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

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. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such 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 any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 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 is an individual who is an accredited investor,

securities (as defined in Section 239(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:

- (i) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Thailand

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell in Thailand, whether directly or indirectly, any Notes, has not made and will not make, whether directly or indirectly, any advertisement, invitation or document relating to the Notes in Thailand, and has not circulated or distributed, nor will circulate or distribute, the Base Prospectus or any other related documents or material in relation to the offering of the Notes, or invitation for subscription or purchase, of the Notes, either directly or indirectly, in Thailand or to any resident of Thailand.

No invitation will be made to any person in Thailand to subscribe for any Notes. Notes cannot be offered, sold or transferred in Thailand.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised by resolutions passed by the Bank's General Assembly on 30 March 2015 and by the Board of Directors on 7 July 2015. The 2018 update of the Programme, and the issue of any Notes under the Programme within a year following 15 March 2018 and up to an amount of U.S.\$1,000,000,000 (or its equivalent in other currencies), have been duly authorised by resolutions passed by the Bank's Extraordinary General Assembly on 15 January 2018 and by the Board of Directors on 26 January 2018.

Legal Entity Identifier

The Legal Entity Identifier of the Issuer is 789000JVRVYLAXGDWR11.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in physical form for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer;
- (b) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the years ended 31 December 2017 and 2016 (including 2015 comparatives);
- (c) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the years ended 31 December 2017 and 2016 (including 2015 comparatives);
- (d) the Agency Agreement, the Deed of Covenant and the Deed Poll, and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is not admitted to trading on a regulated market in the European Economic Area will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes

and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus and the documents incorporated by reference herein will also be available in electronic format on the Issuer's website. See "*Documents Incorporated by Reference*" above.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Bank since 31 December 2017. There has been no material adverse change in the financial position or prospects of the Bank since 31 December 2017.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditors

The BRSA Financial Statements as at and for the years ended 31 December 2017 and 2016 have been audited in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette no: 29314 on 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority by KPMG, independent auditors, as stated in their report incorporated by reference herein. The IFRS Financial Statements as at and for the years ended 31 December 2017 and 2016 have been audited by KPMG in accordance with International Standards on Auditing.

KPMG, which is located at İş Kuleleri, Kule 3, Kat: 2-9 34330 Levent, İstanbul, Turkey, is an independent certified public accountant in Turkey and is authorised by the BRSA to conduct independent audits of banks in Turkey.

Dealers transacting with the Issuer

Certain of the Dealers, the Arrangers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the 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.

APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

Certain of the financial statements and financial information included in this Base Prospectus have been prepared in accordance with Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the statements, communiqués and guidance published by the BRSA on accounting and financial reporting principles (*i.e.* the BRSA Principles). Although the TFRS is almost an exact translation of IFRS, the BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances. Such differences primarily relate to presentation of financial statements, disclosure requirements and accounting policies. The following paragraphs summarise major areas in which the BRSA Principles and IFRS differ from each other.

Allowance for Loan Losses

Under the BRSA Principles, specific and general reserves for possible loan losses are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral (specific provision) and a separate rate for groups comprising performing loans (general provision – the general provision rate is specified by BRSA and applied consistently across the Turkish banking sector).

The Bank’s policy is to provide fully (at a rate of 100 per cent.) for its non-performing loan portfolio. Legal requirements allow differing minimum provisions depending on the category of the non-performing loan, including minimum provisions of 20 per cent., 50 per cent. and 100 per cent. to be set aside for loans and receivables in Groups III, IV and V, respectively (see “*Turkish Regulatory Environment – Loan Loss Reserves*”).

Under IFRS, for loans that have been identified as impaired, the amount of the impairment loss is measured as the difference between the loan’s carrying amount and the present value of expected future cash flows discounted at the loan’s original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Tax

In accordance with IFRS, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. On the other hand, under the BRSA Principles, it is not permitted to recognise deferred tax on a general provision allocated based upon BRSA rules although it constitutes a temporary difference based upon IAS 12 Income Taxes. Besides, under IFRS, it shall be calculated deferred tax base for the difference between allowances for loan losses calculated based upon the BRSA Principles and IFRS.

Presentation of Financial Statements

Although presentation of the financial statements under both the BRSA Principles and IFRS are similar to each other, there are still differences (*e.g.*, IFRS 7). BRSA financial statements are presented under a special format determined by the BRSA. Similarly, both cash flow and comprehensive income statements are presented using this specified format.

There are other similar differences in the accounting policies and disclosure requirements applied to subsidiaries and associates that are subject to consolidation. These differences vary based upon the sector that the related associate or subsidiary operates in, especially factoring and leasing services, which are subject to specific BRSA policies/requirements.

ISSUER

Türkiye İhracat Kredi Bankası A.Ş.

Saray Mahallesi

Ahmet Tevfik İleri Caddesi No: 19

34768 Ümraniye, İstanbul

Turkey

**FISCAL AGENT, EXCHANGE AGENT AND TRANSFER
AGENT**

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