

## BASE PROSPECTUS

**FINANSBANK A.Ş.**

**US\$1,500,000,000**

### **Global Medium Term Note Program**

Finansbank A.Ş., a Turkish banking institution organized as a public joint stock company registered with the İstanbul Trade Registry under number 237525 (the “Bank” or “Issuer”) has established this US\$1,500,000,000 Global Medium Term Note Program (the “Program”), under which it may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or investor(s).

Notes may be issued in bearer or registered form (respectively, “Bearer Notes” and “Registered Notes”); provided that the Notes may be offered or sold within the United States only in registered form. As of the time of each issuance of Notes under the Program, the maximum aggregate nominal amount of all Notes outstanding under the Program will not exceed US\$1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement (as defined below)), subject to increase as described herein.

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

#### **“INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “RISK FACTORS” BEGINNING ON PAGE 10 OF THIS BASE PROSPECTUS.”**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or the securities or “blue sky” laws of any State of the United States of America (the “United States” or “US”). The Notes may not be offered or sold in the United States or to, or for the account or the benefit of, a U.S. person (as defined in Regulation S under the Securities Act (“Regulation S”)) (“U.S. Person”) unless an exemption from the registration requirements of the Securities Act is available, and in each case in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See “Form of the Notes” for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer (see “Transfer and Selling Restrictions”).

This base prospectus (this “Base Prospectus”) has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the “Prospectus Directive”). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and 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 the Irish Stock Exchange (the “Main Securities Market”) or on another regulated market for the purposes of Directive 2004/39/EC (known as the Markets in Financial Instruments Directive) and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for Notes issued under the Program during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the “Official List”) and trading on the Main Securities Market. References in this Base Prospectus to any Notes being “listed” (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, such Notes have been admitted to the Official List and trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the “CMB”), in its capacity as competent authority under Law No. 6362 (the “Capital Markets Law”) of the Republic of Turkey (“Turkey”) relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. No Notes can be sold before the necessary approvals and the issuance certificate (*tertip ihraç belgesi*) bearing the approval of the CMB relating to the applicable Notes are obtained. The CMB approval relating to the issuance of Notes based upon which any offering of the Notes (up to US\$750,000,000 (or its equivalent in other currencies (excluding Turkish Lira) in aggregate)) will be conducted was obtained on May 3, 2013 (and by its letter dated November 28, 2013 sent to the Bank, the CMB allowed the issuances of Notes having a maturity of less than one year under its approval of May 3, 2013) and the issuance certificate bearing the approval of the CMB is required to be obtained before each sale and issuance of Notes.

Under current Turkish tax law, Turkish withholding tax may apply to payments of interest on the Notes. See “Taxation - Certain Turkish Tax Considerations.”

Notice of the aggregate nominal amount of a tranche of Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and certain other information that is applicable to such Notes will be set out in a final terms document (the “Final Terms”). With respect to each Series of Notes to be listed on the Irish Stock Exchange, the applicable Final Terms will be filed with the Central Bank of Ireland. Copies of such Final Terms will also be published on the Issuer’s website at [www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx](http://www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx).

Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or investor(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Program is expected to be rated “BBB-” (for long-term) and “F3” (for short-term) by Fitch Ratings Ltd. (“Fitch”) and “(P)Ba2” (for long-term) and “(P)NP” (for short-term) by Moody’s Investors Service Limited (“Moody’s”) and, together with Fitch and Standard & Poor’s Credit Market Services Europe Limited (“S&P”), the “Rating Agencies”). The Bank has also been rated by the Rating Agencies, as set out on page 106 of this Base Prospectus. Each of the Rating Agencies is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Program may be either rated or unrated. Where Notes are rated, such rating will be disclosed in the applicable Final Terms and (if rated by Fitch and/or Moody’s) will not necessarily be the same as the rating assigned to the Program by Fitch or Moody’s, as the case may be. A 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.

Arranger

**Standard Chartered Bank**

Dealers

**Citigroup  
Morgan Stanley**

**Commerzbank  
Scotiabank**

**HSBC  
Standard Chartered Bank**

The date of this Base Prospectus is February 5, 2014

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

## **RESPONSIBILITY STATEMENT**

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

The Issuer, having made all reasonable enquiries, confirms that: (a) this Base Prospectus (including the information incorporated herein by reference) contains all information that in its view is material in the context of the issuance and offering of the Notes (or beneficial interests therein), (b) the information contained in, or incorporated by reference into, this Base Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Base Prospectus (or any of the documents incorporated herein by reference) on the part of the Issuer are honestly held or made by the Issuer and are not misleading in any material respects, and there are no other facts the omission of which would make this Base Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (d) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

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

To the fullest extent permitted by law, neither the Arranger nor any of the Dealers accepts any responsibility for the information contained or incorporated by reference into this Base Prospectus or any other information provided by the Issuer in connection with the Program or for any statement inconsistent with this Base Prospectus made, or purported to be made, by the Arranger or a Dealer or on its behalf in connection with the Program. Each of the Arranger and each Dealer accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

No person is or has been authorized 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 Program or the Notes. Any such representation or information must not be relied upon as having been authorized by the Bank, the Arranger or any of the Dealers.

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

Neither this Base Prospectus nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes (or beneficial interests therein). This Base Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions of the applicable Series of Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same.

None of the Issuer, the Arranger, the Dealers or any of their respective counsel or other representatives is making any representation to any offeree or investor in the Notes regarding the legality of its investment under any applicable laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

## GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or “blue sky” laws of any state of the United States or any other U.S. jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees (or shall be deemed to have agreed) that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions from the registration requirements thereof described under “Transfer and Selling Restrictions.” Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and/or the transferee to certain liabilities under applicable securities laws.

The distribution of this Base Prospectus and the offer or sale of Notes (or beneficial interests therein) may be restricted by law in certain jurisdictions. The Issuer, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes (or beneficial interests therein) may be lawfully offered, in any such jurisdiction and do not assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer that is intended to permit a public offering of any Notes (or beneficial interests therein) or distribution of this Base Prospectus in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Base Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes (or beneficial interests therein) may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes (or beneficial interests therein) in (*inter alia*) the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, Switzerland, Japan, the People’s Republic of China (the “PRC”) and the Hong Kong Special Administrative Region of the PRC. See “Transfer and Selling Restrictions.”

This Base Prospectus has been prepared on a basis that would permit an offer of Notes (or beneficial interests therein) with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area that 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 (or beneficial interests therein) in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, the Arranger nor any Dealer has authorized, nor do they authorize, the making of any offer of Notes (or beneficial interests therein) in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely upon their own examination of the Issuer and the terms of the Notes 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 and the Central Bank of Ireland described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in 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 is unlawful.

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

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

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

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

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

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

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

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

The Issuer has obtained the CMB approvals (dated May 3, 2013 No. 29833736-105.03.01-1457 and dated November 28, 2013 No. 29833736-105.03.01 (3558) (the “*CMB Approvals*”) and the Banking Regulatory and Supervisory Agency (the “*BRSA*”) approval (the “*BRSA Approval*” and, together with the CMB Approvals, the “*Program Approvals*”) (dated April 12, 2013 and numbered 20008792.31.2-9500) required for the issuance of Notes under the Program; *provided* that additional CMB and BRSA approvals would be required for any issuance of Notes: (a) denominated in Turkish Lira or (b) under the Program Approvals exceeding US\$750,000,000 (or its equivalent in other currencies) in aggregate. In addition to the CMB Approvals, an issuance certificate bearing the approval of the CMB in respect of each Tranche of Notes is also required to be obtained by the Issuer prior to the issue date of such Tranche of Notes. In order to make any offer, sale and issue of Notes under the Program, the Issuer has to maintain all necessary authorizations and approvals of the CMB and the BRSA. Consequently, the scope of the Program Approvals may be amended and/or new approvals from the CMB and/or the BRSA may be obtained from time to time. Pursuant to the Program Approvals, the offer, sale and issue of Notes under the Program has been authorized 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 numbered 5411 (the “*Banking Law*”) and its related legislation, the Capital Markets Law and the Communiqué No. II-31.1 on Debt Instruments (the “*Communiqué on Debt Instruments*”) of the CMB or its related regulation.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Program Approvals. Under the CMB Approvals, the CMB has authorized the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665, the BRSA decision dated September 30, 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira offshore on an unsolicited (reverse inquiry) basis in the secondary markets only and (b) may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira 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 (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through banks. Monies paid for purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the “SDIF”) of Turkey.

In accordance with Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency of Turkey (*Merkezi Kayıt Kuruluşu*) (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. The Bank submitted an exemption request through its letter to the CMB and such exemption was granted by the CMB in its letter to the Bank dated November 14, 2013 numbered 29833736-105.03.01-3471. As a result, this requirement will not be applicable to the Notes to be issued pursuant to the CMB Approval of May 3, 2013 (and also the CMB Approval of November 28, 2013, which allows the issuance of Notes having a maturity of less than one year under the CMB Approval of May 3, 2013). Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the issue date of a Tranche of Notes of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

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

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words “anticipates,” “estimates,” “expects,” “believes,” “intends,” “plans,” “aims,” “seeks,” “may,” “will,” “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “Risk Factors,” “Business of the Group” and other sections of this Base Prospectus and include, but are not limited to, statements regarding:

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

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

The Bank has identified certain of the material risks inherent in these forward-looking statements and these are set out under “Risk Factors.”

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

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Group’s results or the accuracy of forward-looking statements in this Base Prospectus. Therefore, potential investors should not consider the factors discussed under “Risk Factors” to be a complete discussion of all potential risks or uncertainties of investing in the Notes.

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

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### **U.S. INFORMATION**

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

The Notes (or beneficial interests therein) may be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons only in registered form and in transactions exempt from registration under the Securities Act in reliance upon Rule 144A under the Securities Act (“Rule 144A”) or any other applicable exemption. Each investor in Registered Notes that is a U.S. Person or is in the United States is hereby notified that the offer and sale of any Notes (or beneficial interests therein) to it may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each investor in the Notes will be deemed, by its acceptance or purchase of any such Notes (or beneficial interests therein), to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes (or beneficial interests therein) as set out in “Transfer and Selling Restrictions.” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes.”

## CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

#### *Presentation of Financial Information*

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Law and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting and pronouncements made by the BRSA (collectively, the “*BRSA Principles*”).

The Bank's consolidated annual statutory financial statements (the “*BRSA Annual Financial Statements*”) as of and for the years ended December 31, 2010, 2011 and 2012 and unaudited interim consolidated financial statements (the “*BRSA Interim Financial Statements*”) and, together with the BRSA Annual Financial Statements, the “*BRSA Financial Statements*”) as of and for the nine-month periods ended September 30, 2012 and 2013 have been prepared and presented in accordance with BRSA Principles.

The BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial assets held for trading), financial assets available-for-sale, derivative financial instruments and equity participations quoted on stock exchanges, which are presented on a fair value basis if reliable measures are available, and (b) loans and receivables, investments categorized as held-to-maturity and other financial assets, which are presented at amortized cost.

The BRSA Annual Financial Statements incorporated by reference herein have been audited in accordance with the regulation on “Licensing and Operations of Audit Firms in Banking” published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Deloitte Touche Tohmatsu Limited (“*Deloitte*”). The audit reports on the BRSA Annual Financial Statements emphasize that: (a) the effect of the differences between the accounting principles summarized in Section 3 thereof and the accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards (“*IFRS*”) have not been quantified and reflected in the financial statements, (b) the accounting principles used in the preparation of the financial statements differ materially from IFRS and (c) accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS. See Deloitte's reports on the BRSA Annual Financial Statements incorporated by reference into this Base Prospectus.

The BRSA Interim Financial Statements incorporated by reference herein have been reviewed by Deloitte in accordance with the accounting rules and policies, and the accounting and auditing standards, in accordance with the Banking Law. The review report on the BRSA Interim Financial Statements emphasizes that: (a) the effect of the differences between the accounting principles summarized in Section 3 thereof and the accounting principles generally accepted in countries in which the unaudited financial statements are to be distributed and IFRS have not been quantified and reflected in the unaudited financial statements, (b) the accounting principles used in the preparation of the unaudited financial statements differ materially from IFRS and (c) accordingly, the unaudited financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unaudited financial statements and IFRS. See Deloitte's report incorporated by reference into this Base Prospectus. With respect to the unaudited BRSA Interim Financial Statements, Deloitte has reported that they applied limited procedures in accordance with professional standards for a review of such information; their report states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

According to Turkish legislation, the Bank is required to rotate its external auditors every seven years. Most recently, at the Bank's General Assembly Meeting on March 28, 2013, Deloitte was appointed as the Independent Auditor of the Bank until the end of 2013 and, as per Article 399 of the Turkish Commercial Code (Law No. 6102), Deloitte was appointed as the "group auditor" until the Bank's first ordinary General Assembly Meeting to be convened in 2014.

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 Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate). Such English language BRSA Financial Statements were not prepared for the purpose of their inclusion in this Base Prospectus.

The BRSA Financial Statements of the Group and the Bank have not been prepared in accordance with IFRS. Consequently, there may be material differences had IFRS been applied to the financial information. A summary of certain significant differences between BRSA and IFRS as they apply to the Group is included in Appendix A ("Overview of Significant Differences between IFRS and BRSA Accounting Principles"). Such BRSA Financial Statements also: (a) are not comparable to generally accepted accounting principles in the United States of America and (b) have not been prepared in accordance with the international accounting standards adopted pursuant to Article 3 of Regulation (EC) No. 1606/2002.

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under IFRS, the Bank's management has elected to publish annual consolidated financial statements that have been prepared in accordance with IFRS. 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 certain communications with investors. As the Bank's management uses the BRSA Financial Statements and IFRS financial statements are prepared infrequently, IFRS financial statements are not included in (or incorporated by reference into) this Base Prospectus.

The Bank utilizes several internal definitions of small and medium-sized enterprise ("*SME*") based upon criteria including annual turnover, credit limits and/or average assets under management, among others; *however*, with respect to certain published financial information concerning SMEs, the Bank uses the BRSA definition of SME (as defined in the Regulation on SMEs, their Definitions, Qualifications and Classification published in the Official Gazette dated November 18, 2005, numbered 25997) in order to render such data comparable to that of other Turkish banks. Such BRSA definition of SME includes companies with an annual turnover or total balance sheet assets of less than or equal to TL 40 million (increased from TL 25 million as of November 4, 2012) and companies with less than 250 employees (the "*BRSA SME Definition*"); *it being understood* that all information herein referencing the BRSA SME Definition utilizes the earlier definition for information through November 4, 2012 and the current definition thereafter.

The Bank utilizes several internal definitions of corporate customers based upon criteria including annual sales and/or credit limits, among others; *however*, with respect to certain published financial information concerning corporate customers, the Bank defines corporate customers as those companies that are larger than SMEs (in terms of annual turnover, total assets or number of employees) as defined by the BRSA SME Definition in order to render such data comparable to that of other Turkish banks (the "*Corporate Definition*").

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



## *Currency Presentation and Exchange Rates*

In this Base Prospectus, all references to:

- “*Turkish Lira*” and “*TL*” refer to the lawful currency for the time being of the Republic of Turkey,
- “*euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended,
- “*U.S. Dollars*,” “*US\$*” and “*\$*” refer to United States dollars,
- “*Renminbi*” and “*RMB*” refer to the lawful currency of the PRC, which (for the purposes of this Base Prospectus) excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan, and
- “*Sterling*” and “*£*” refer to pounds sterling.

No representation is made that the Turkish Lira, Dollar or Euro amounts in this Base Prospectus could have been or could be converted into Euro, Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see “Risk Factors – Risks related to the Group and its Business – Foreign Exchange Risk.”

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

Capitalized terms that are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in “Terms and Conditions of the Notes” or any other applicable section of this Base Prospectus.

In this Base Prospectus, “Bank” means Finansbank A.Ş. on a standalone basis and “Group” means the Bank and its subsidiaries (or, with respect to accounting information, its consolidated entities).

In this Base Prospectus, any reference to Euroclear Bank SA/NV (“*Euroclear*”), Clearstream Banking, *société anonyme* (“*Clearstream, Luxembourg*”) and/or the Depository Trust Company (“*DTC*”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or 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 Bank’s competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading “Book-Entry Clearance Systems” has been extracted from information provided by the clearing systems referred to therein. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, so far as it is aware and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other party.

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

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](http://www.bddk.org.tr), the Banks Association of Turkey's website at [www.tbb.org.tr](http://www.tbb.org.tr) or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*) at [www. http://www.bkm.com.tr/bkm](http://www.bkm.com.tr/bkm), 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](http://www.turkstat.gov.tr), the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "*Central Bank*") at [www.tcmb.gov.tr](http://www.tcmb.gov.tr), the Turkish Treasury's website at [www.hazine.gov.tr](http://www.hazine.gov.tr) or the European Banking Federation's website at [www.ebf.fbe.eu](http://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 Bank's shareholders (including ownership levels and agreements) in "Overview – The Group," "Business of the Group" and "Share Capital and Ownership" has been based upon public filings and announcements by such shareholders.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents that have previously been published and have been filed with the Central Bank of Ireland shall be incorporated into, and form part of, this Base Prospectus:

- the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for each of the years ended December 31, 2010, 2011 and 2012, and
- the independent auditors' review report and unaudited interim consolidated BRSA Financial Statements of the Group for each of the nine-month periods ended September 30, 2012 and 2013.

Any documents themselves incorporated by reference into the documents incorporated by reference into this Base Prospectus shall not form 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 Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate).

Copies of documents incorporated by reference into this Base Prospectus can be obtained without charge from the registered office of the Bank and from the Bank's website: [www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx](http://www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx). (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus).

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

## **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes (or beneficial interests therein) that are "restricted securities" within the meaning of Rule 144 under the Securities Act, the Issuer has undertaken in a deed poll dated February 5, 2014 (the "*Deed Poll*") to furnish, upon the request of an investor in such Notes, to such investor or to a prospective purchaser designated by such investor, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes (or beneficial interests therein) to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) 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.

## STABILIZATION

In connection with the issue of any Tranche of Notes, one or more relevant Dealer(s) named as the stabilizing manager(s) in the applicable Final Terms (the “*Stabilizing Manager(s)*”) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot such Notes or effect transactions with a view to supporting the market price of such Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorized by the CMB.

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Appendix A - Overview of Significant Differences between IFRS and BRSA Accounting Principles

## OVERVIEW

*This overview may not contain all of the information that may be important to prospective investors in the Notes. This entire Base Prospectus, including the more detailed information regarding the Bank's business and the financial statements incorporated by reference into this Base Prospectus, should be read carefully. Investing in the Notes involves risks. The information set forth under "Risk Factors" should be carefully considered. Certain statements in this Base Prospectus are forward-looking statements that also involve uncertainties as described under "Cautionary Statement Regarding Forward-Looking Statements."*

### The Bank

#### General

The Bank is a Turkish private commercial bank that provides banking services to retail, corporate, commercial and SME customers through a network of 658 branches (as of September 30, 2013) operating in major cities throughout Turkey. As of September 30, 2013, according to the most recent statistics published by the Banks Association of Turkey, the Bank was the fifth largest private bank in Turkey in terms of total assets and equity. The Bank is a subsidiary of the National Bank of Greece ("NBG"). NBG, together with its subsidiaries (NBG and such subsidiaries being collectively the "NBG Group") and affiliates, is one of the four systemic banks and a leading financial group in Greece and has a material presence internationally, particularly in Turkey and southeastern Europe. See "Share Capital and Ownership – Ownership – National Bank of Greece."

The Bank's branch network consisted of 645 full-service branches, four corporate and commercial branches, five satellite and Easy Credit branches and two retail-only branches located in 71 commercial centers in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya. The Bank also has one branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain. The Group, through its affiliates and subsidiaries, also undertakes leasing, factoring, insurance and investment banking activities. As of September 30, 2013, the Group had total assets of TL 64,426.0 million, loans and receivables of TL 41,990.2 million and total equity of TL 7,756.6 million.

Since entering the Turkish retail banking market in 1995, the Bank has grown its branch network significantly. Most of the Bank's branches are dedicated only to retail customers and are located primarily in upper-middle income residential areas. The Bank has developed its branches to sell the full range of the Bank's retail financial products. In line with its growth strategy, the Bank currently plans, subject to market conditions, to open up to 92 branches in 2013 (including 76 new branches opened through September 30, 2013) and up to 25 new branches in 2014. The Bank also has invested heavily in alternative distribution channels such as ATMs, internet banking and its call center. As of September 30, 2013, the Bank's ATM network included over 2,650 units. The Bank's call center, through which customers can contact the Bank's operators for all of their banking needs (either by telephone or on-line and in real-time through the internet), is operational 24 hours a day, seven days a week.

The Bank's goal is to strengthen its position among the leading private full-service banks in Turkey even as it expects the Turkish banking sector to continue to grow. The expansion of the Group's banking operations has contributed to the growth in customer deposits, which amounted to 56.1% of total assets as of September 30, 2013. The Bank's management expects that retail banking operations will achieve an even greater importance over the coming years, particularly in light of its plans to continue the expansion of its branch network. Internationally, the Bank intends to continue to support its branch in Bahrain. In order to fund longer maturities in its lending operation, the Bank intends to increase its medium-term borrowings from banks and the international capital markets. The Bank will continue to focus on borrowing in foreign currencies from international markets and on lending in foreign currencies and foreign currency-indexed loans in Turkey.

The Bank has three main business segments, namely retail banking, SME banking and corporate and commercial banking:

- *Retail Banking.* The Bank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits, investments and insurance products. The Bank's offerings to retail customers are divided into three main further sub-groups: private banking, which serves individuals with assets under

management exceeding TL 500,000 through customized service offerings; the affluent segment, which serves individuals with assets under management between TL 50,000 and TL 500,000 offering features such as dedicated relationship managers and a diverse set of banking and non-banking services and benefits; and the mass market segment with more standardized offerings. Retail banking has been one of the principal drivers of the Bank's growth during recent years and is expected to continue to maintain a central role in the Bank's strategy. The Bank had approximately 12.0 million retail banking customers and the Group had total outstanding retail loans (including mortgage, credit card and consumer loans) of TL 24,208.1 million as of September 30, 2013.

- *SME Banking.* The Bank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The Bank's SME banking operations are divided into the medium-enterprises department (the Bank includes a customer in this segment when its annual turnover is between TL 2 million and TL 10 million) and a small business department (the Bank includes a customer in this segment when its annual turnover is up to TL 2 million). The Bank's SME banking operations had total loans and receivables of TL 7,529.9 million as of September 30, 2013.
- *Corporate and Commercial Banking.* The Bank's corporate and commercial banking activities include trade finance, traditional lending, project finance, cash management, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. Corporate and commercial banking was the Bank's original focus area and now serves a large number and wide range of customers. The Group's corporate and commercial banking operations had total loans and receivables of TL 9,747.5 million as of September 30, 2013.

The Bank's registered office is Büyükdere Caddesi, No. 129, Mecidiyeköy/Şişli 34394, İstanbul, Turkey, telephone number +90-212-318-5155. Its registration number is 237525.

## **Key Strengths**

The Bank's management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Turkish banking sector. The Bank's management sees these key strengths as being:

- *Focus on real banking.* Over the years, the Group has consistently focused on real banking with a balance sheet structure that is primarily customer-driven. This client focus is reflected in the net loans portfolio being a large share of the Group's total assets as reflected in this Base Prospectus. The same client focus is evident also in the liability side of the balance sheet, with customer deposits representing 56.1% of total assets as of September 30, 2013. This customer focus enables the Group to reduce exposure to certain volatility in profitability inherent in non-banking activities.
- *Robust liquidity position and capital structure as well as diversified funding sources.* The Bank's management believes that the Group's strong capital adequacy position enables the Group to access attractive and diversified sources of funding and that its conservative liquidity management policies provide the Group with flexibility to obtain liquidity and capital as attractive opportunities arise.
- *Diversified loan portfolio.* The Group carefully manages its concentration of credit risk across sectors and individual clients, thereby reducing its exposure to any one segment or client.
- *Prudent risk management.* A prudent credit risk management practice is instilled at every stage of the Group's credit process. At the origination stage, clients are approved on the basis of scorecards for credit card, consumer and SME segments, and approval score cutoff points are constantly being monitored and revised if necessary depending upon macro-economic conditions. From origination stage onwards, credit quality is monitored closely on an ongoing basis via behavioral scorecards, and necessary actions are taken depending upon the changes in behavioral scores. As described elsewhere in this Base Prospectus, the Group also employs a conservative provisioning policy with an NPL coverage ratio of 81.4% as of September 30, 2013. In addition to

managing credit risk, the Group actively utilizes hedging instruments to protect itself from currency and maturity mismatches.

- *Strong track record of innovation.* The Bank's management believes that, from the Group's inception, it has been at the forefront of innovation in banking products and services in Turkey. For example, in 1999 the Bank was the first Turkish bank to introduce a credit card with an installment structure. More recently, the Bank was the first in Turkey to establish a pure online banking model (EnPara.com) under its umbrella, which website serves a more affluent and technologically savvy client base who are more expensive to serve under the traditional branch business model. On the technological front, the Group serves its customers through state-of-the-art alternative distribution channels, including internet and telephone banking platforms that utilize cutting edge technologies such as client-recognizing interfaces. This innovation is a necessary component of enabling the Group to maintain close relationships with its customers and compete successfully.

## Strategy

The Bank's strategic vision is to help its customers build individual and commercial financial plans that will catalyze Turkey's success. To this end, the Group aims to build lifelong and successful partnerships with all its stakeholders through understanding and fulfilling their needs. The key elements of the Group's strategy are set out below:

- *Continuing expansion of the branch network and alternative distribution channels, sustained emphasis on product development.* Having opened 136 branches since the end of 2011 and covering regions creating 97% of Turkey's GDP, the Bank aims to continue its branch expansion in the coming years and increase the total number of branches to 750 by the end of 2016. In addition to expanding the traditional branch channel, the Bank intends to continue to increase its investments in mobile and internet channels – the 2013 introduction of a new generation SME internet branch and an iPhone branch is expected to be followed in the coming years by a new generation card-only internet branch and further enhancement of mobile offerings to create notification and instant advisory experiences.
- *Investment in the Bank's image.* The Group intends to remain focused on investing in the Group's image to support brand awareness and equity. In addition to the planned branch expansion, measures to serve this purpose will include overall image communication programs, reshaping product communications to new brand guidelines and launching a new net promoter score program across different channels to improve customer experience supporting brand guidelines.
- *Grow market share across selected markets and segments.* Having been formed as a corporate bank, over more recent years the Group has established a strong presence in Turkey's retail market. Capitalizing on the Group's strong retail franchise, the Bank aims to grow its market share in SME and commercial businesses over the coming years. To achieve this objective, business lines serving small- and medium-sized enterprises were combined into one division and marketing and sales activities of these segments have been aligned so as to be able to more effectively share and re-apply best practices and focus attention on SME banking growth. In the commercial business segment, organizational changes such as branch specialization and centralization of operational tasks aim to boost cost effectiveness, sales effectiveness and improved customer service while ensuring more efficient management of risk and profitability. Efforts to increase market share in these segments will be supported by a strong emphasis on cash management and trade finance, the cornerstones of which are intended to be an organizational restructuring that brings the trade finance business under the same umbrella with cash management to form a transactional banking unit.
- *Cost control and customer retention.* The Group intends to build upon its already efficient cost management policies by maintaining its strong focus on cost control and continuously seeking ways to optimize its costs. This focus will be driven by the increase in the Group's scale of operations while aiming to eliminate any new inefficiencies that can arise as the Group's customer numbers increase and physical network continues to expand. Another item of continued emphasis will be to boost the productivity of new branches as measured by customer deposits and gross loans per branch. In addition, parallel to the increase in the opportunity cost of acquiring new customers, the Group intends to remain active in its customer attrition management strategy. This will involve increasing the offer strength in reactive customer retention efforts, investing in the specialization of

the Group's reactive retention team, increasing the variety of actions of the Group's proactive retention management and aligning the incentive mechanism of sales channels to ensure minimizing early attrition.

- *Attracting and developing talent.* Fully aware that its success hinges crucially on the quality, satisfaction and commitment of its workforce, the Group intends continuously to seek to attract top talent and develop its employees throughout their careers so as to help them achieve their full potential. Measures to achieve this objective start at the initial recruitment stage of the employees, followed by educational programs and training opportunities as their careers progress, and the process is supported by a fair and effective performance appraisal system. The Group also utilizes the experiences of its successful managers through coaching and mentoring programs for future candidates for managerial positions.



## **The Program**

*The following summary 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. The summary only relates to the types of Notes that are currently described in full in this Base Prospectus in accordance with Commission Regulation 809/2004. Other types of Notes can be issued by the Issuer under the Program, and where any such Notes are: (a) admitted to trading on the Main Securities Market or another regulated market for the purposes of Directive 2004/39/EC or (b) otherwise 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 drawdown prospectus will be prepared and published by the Issuer.*

*The following constitutes a general description of the Program for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.*

**Issuer:** ..... Finansbank A.Ş.

**Description:** ..... Global Medium Term Note Program

**Arranger:** ..... Standard Chartered Bank (the “Arranger”)

**Dealers:** ..... Citigroup Global Markets Limited  
Commerzbank Aktiengesellschaft  
HSBC Bank plc  
Morgan Stanley & Co. International plc  
Scotiabank Europe plc  
Standard Chartered Bank

and any other Dealer(s) appointed in accordance with the Programme Agreement.

**Risk Factors:** ..... There are certain factors that may affect the Issuer’s ability to fulfill its obligations under the Notes. In addition there are certain risk factors that are material for the purpose of assessing the market risks associated with the Notes. For a discussion of certain risk factors relating to Turkey, the Bank and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, including certain risks related to the structure of particular Series of Notes and certain market risks, see “Risk Factors.”

**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 that comply therewith (see “Subscription and Sale” and “Transfer and Selling Restrictions”), including the following restriction applicable at the date of this Base Prospectus:

**Notes having a maturity of less than one year:** Notes having, on the issue date thereof, a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent.

**Fiscal Agent:** ..... The Bank of New York Mellon, London Branch

**Representation of Noteholders:** .. There will be no trustee.

**Program Size:**..... Up to US\$1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding as of the time of each issuance of Notes under the Program. The Issuer may increase the amount of the Program 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:**..... Each Series of Notes may be denominated in euro, Sterling, U.S. Dollars, RMB, yen, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s) or investor(s) and set out in the applicable Final Terms.

Payments of principal and interest on a Note denominated in Turkish Lira will be made by the Bank in Turkish Lira; *however*, if such Note is not represented by a Global Note held by DTC (or a nominee thereof), the holder of such Note (or a beneficial interest therein) may make an irrevocable election to receive an individual forthcoming payment in U.S. Dollars. See Condition 7.10 in “Conditions of the Notes.”

Payments of principal and interest on a Note denominated in a specified currency (the “*Specified Currency*”) other than U.S. Dollars for which DTC is the clearing system will be made by the Bank in such Specified Currency to the Exchange Agent but will be paid (after conversion by the Exchange Agent) to the investors in such Note in U.S. Dollars; *however*, if an investor wishes to receive such payment in the applicable Specified Currency, then it may make an affirmative election to receive payment on such Note in the applicable Specified Currency. See Condition 7.11 in “Conditions of the Notes.”

**Maturities:** ..... Each Series of Notes will have such maturity as may be agreed between the Issuer and the relevant Dealer(s) or investor(s), 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 will be issued on a fully-paid basis and may be issued at an issue price that is at par or at a discount to, or premium over, par (for each Note, its “*Issue Price*”).

**Form of Notes:** ..... Each Series of Notes may be issued in bearer or registered form as set out in the applicable Final Terms. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. See “Form of the Notes.”

Each Series of Notes may be fixed rate notes (“*Fixed Rate Notes*”), floating rate notes (“*Floating Rate Notes*”) or zero coupon notes (“*Zero Coupon Notes*”).

**Fixed Rate Notes:** ..... For each Series of Fixed Rate Notes, interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and such Dealer(s) or investor(s).

**Floating Rate Notes:** ..... Each Series of 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 of the issue date of the first Tranche of the Notes of the relevant Series),

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service, or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s) or investor(s).

The margin (if any) relating to a Tranche of Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) or investor(s). 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 will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction (as such term is used in Condition 6.2), as set out in the applicable Final Terms.

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

**Denomination of Notes:** ..... Each Series of Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) and set out in the applicable Final Terms, except that the minimum denomination of each Note will be: (a) such minimum amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any applicable laws or regulations and (b) equal to, or greater 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).

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See “Certain Restrictions - Notes having a maturity of less than one year” above.

**Taxation; Payment of**

**Additional Amounts:** ..... All payments in respect of the Notes and Coupons by or on behalf of the Bank 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 Bank 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 or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction. See “Taxation – Certain Turkish Tax Considerations” and “Terms and Conditions of the Notes – Condition 9.1.”

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 7.1; *it being understood* that, in accordance with Condition 9.1, no additional amount will be payable by the Bank in respect of any such withholding or reduction. See “Terms and Conditions of the Notes –

Condition 9.”

- Negative Pledge:** ..... Subject to certain exceptions, the Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that so long as any of the Notes remains outstanding, the Bank will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Bank, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness, (b) another Security Interest or (whether or not it includes the giving of a Security Interest) another arrangement is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (c) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders. See “Terms and Conditions of the Notes – Condition 4.”
- Certain Covenants:** ..... The Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that the Bank agrees to certain covenants, including covenants limiting transactions with affiliates. See “Terms and Conditions of the Notes – Condition 5.”
- Events of Default:** ..... The Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that the Notes will be subject to certain Events of Default including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See “Terms and Conditions of the Notes – Condition 11.”
- Status of the Notes:** ..... The Notes and any relevant Coupons will (except to the extent provided otherwise in the applicable Final Terms) be senior, direct, unsubordinated and (subject to the negative pledge in Condition 4) unsecured obligations of the Bank and rank and will rank *pari passu*, without any preference among themselves, with all outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. The Notes will be issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law and the Communiqué on Debt Instruments.
- Rating:** ..... The Program is expected to be rated “BBB-” (for long-term) and “F3” (for short-term) by Fitch and “(P)Ba2” (for long-term) and “(P)NP” (for short-term) by Moody’s. Series of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating (if any) assigned to the Program by the relevant rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
- ERISA:** ..... Subject to certain conditions, the Notes may be invested in by an “employee benefit plan” as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a “plan” as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include “plan assets” of any of the foregoing. See “Certain Considerations for ERISA and other U.S. Employee Benefit Plans.”
- Listing:** ..... An application has been made to the Irish Stock Exchange for Notes issued under the Program during the period of 12 months from the date of this Base Prospectus to be admitted to its Official List and trading on the Main Securities Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or investor(s). Notes that are neither listed nor admitted to trading on any market may also be

issued. The Final Terms for a Tranche will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).

**Governing Law:** ..... The Notes, the Agency Agreement, the Deed of Covenant and the Deed Poll, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and construed in accordance with, English law.

**Selling Restrictions:** ..... There are restrictions on the offer, sale and transfer of the Notes (or beneficial interests therein) in (*inter alia*) the United States, the European Economic Area (including the United Kingdom, Switzerland and Turkey), the PRC, the Hong Kong Special Administrative Region of the PRC and Japan, and there will be such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “Transfer and Selling Restrictions.”

**United States Selling**

**Restrictions:** ..... Regulation S, Category 2, Rule 144A and Section 4(a)(2). Bearer Notes will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (“*TEFRA D*”) or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (“*TEFRA C*”) such that the Bearer Notes will not constitute “registration required obligations” under section 4701(b) of the Code, as specified in the applicable Final Terms. Such rules impose certain additional restrictions on transfers of the Bearer Notes (or, for Bearer Global Notes, beneficial interests therein).

## **RISK FACTORS**

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

*In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

The following is a description of the principal risks associated with the Notes and the Group's business as of the date of this Base Prospectus; *however*, the Bank does not represent that the risks set out in the statements below are exhaustive or that other risks might not arise in the future.

### **Risks related to the Group and its Business**

*Counterparty Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties*

Credit risk is the most significant risk to which the Group is exposed. The Group is subject to inherent risks concerning the credit quality of borrowers and other counterparties, which has affected and will continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate.

Changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system can negatively affect the value of the Group's assets. Such risks could also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt. According to BRSA statistics, the ratio of non-performing loans to total loans in the Turkish banking sector was 3.7% as of December 31, 2010, 2.7% as of December 31, 2011 and 2.9% as of December 31, 2012 (with respect to the Group, 6.4%, 5.7% and 6.5%, respectively). As of September 30, 2013, the ratio of non-performing loans to total gross loans was 2.8% in the Turkish banking sector and 6.1% with respect to the Group.

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account the payment ability and cash generating ability of a borrower in extending credit, the Group might not correctly assess the creditworthiness of its credit applicants. In addition, as the Group's loan portfolio has grown substantially, the Group has extended credit to new customers, many of whom may have more limited credit histories. In particular, the Group has over recent years increased its exposure to retail customers, whose loans generally yield higher interest income but also tend to have higher levels of default than loans to corporate customers (as of September 30, 2013, 54.8% of the Group's total loans were retail loans, including mortgage, credit card and consumer loans). Although such new loans are subject to the Group's credit review and monitoring practices, they may be subject to higher credit risks compared to borrowers with whom the Group has greater experience. Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. See "Risk Management – Credit Risk" and "-Counterparty Risk." The Group's exposure to credit risk could lead to a material adverse effect on the Group's business, financial condition and/or results of operations.

*Competition in the Turkish Banking Sector – The Group faces intense competition in the Turkish banking sector*

The Turkish banking sector is highly competitive and dominated by a small number of banks. As of December 31, 2013, there were a total of 50 banks (excluding the Central Bank) licensed to operate in Turkey. As of September 30, 2013, the top five banks in Turkey (one of which is a state-controlled bank) held 56.6% of the banking sector's total loan portfolio (excluding participation banks) and 58.6% of the total bank assets (excluding participation banks) in Turkey, according to the Banks Association of Turkey.

The Bank's competitors include state-controlled financial institutions, such as T.C. Ziraat Bankası A.Ş. ("Ziraat Bank"), Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank") and Türkiye Halk Bankası A.Ş. ("Halkbank"). These government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions may have access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which could result in a lower cost of funds that cannot be duplicated by private sector banks. Such actions by government-controlled financial institutions, in addition to ongoing competitive pressures from private financial institutions, are expected to put downward pressure on net interest margins in at least the short term.

In addition to NBG, other foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank, UniCredito Italiano, BBVA, BNP Paribas, Citigroup, ING, Sberbank and Bank of Tokyo-Mitsubishi UFJ are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could increase competition in the market. Similarly, the expansion of foreign banks' existing presence in Turkey may lead to further competitive pressures. Foreign competitors may have greater resources and more cost-effective funding sources than the Group. If competitors can offer better lending rates to clients or higher interest rates on deposits, then the Group could lose customers, be forced to reduce its margins or be forced to look for more expensive funding sources, among other impacts. This, in turn, could negatively affect the Group's profitability. In addition, the Group might not be able to offset competitive pressures in certain industry sectors.

To address this competition, the Bank has expanded its business (including the establishment of subsidiaries in business areas that are complementary to banking) and plans to continue expanding its branch network and operations and/or redistribute the distribution of its existing branches while continuing its focus on financial strength and performance. Risks associated with the implementation of such strategy may include higher than anticipated costs of opening new branches, an inability to deploy profitably assets acquired or developed through expansion, new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than the Bank anticipates, pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, a likely increase in the Bank's cost base and a potential negative impact on its margins. The Bank opened 76 domestic branches during the first nine months of 2013 and is currently planning on opening an additional 16 domestic branches during 2013 and 25 during 2014. Moreover, as competition in the Turkish banking sector continues to intensify, the Group may seek to further expand internationally through acquisitions or the establishment of branches, which may lead to additional risks and uncertainties relating to the geographic, political and economic environment into which the Group seeks to expand.

In addition, Turkish banks traditionally have tended to hold a significant proportion of their assets in Turkish government securities. Since 2008, interest rates in Turkey have declined substantially, which has made holding government bonds a less profitable strategy. Banks have reacted by shifting funds towards higher-yielding assets, such as loans to customers. The increased competition for customers resulting from such re-allocations, however, may reduce lending margins. As a result of increased competition in conjunction with the lower interest rate environment, the margins the Group can achieve on its products may decrease. Further competitive pressures might result in continued margin compression, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

*Market Risk – The Group is exposed to market risk*

The Group is subject to risks that arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group seeks to manage its market risk exposure through a range of measures (see "Risk Management – Market Risk" for further information). Such measures might not be successful in mitigating all market risk and the Group's exposure to market risks could lead to a material adverse effect on the Group's business, financial condition and/or results of operations. Certain of such risks are described in greater detail below.

*Pressure on Profitability – The Group's profitability may be negatively affected as a result of regulatory requirements, competition and other factors*

The Group's profitability may be negatively affected in both the short- and long-term as a result of a number of factors, including a slowdown of economic growth in Turkey in recent years and a low interest rate environment in Turkey in

2012 and 2013 (see “-Reduction in Earnings on Securities Portfolio” and “-Interest Rate Risk” below), increased competition (particularly as it impacts net interest margins (see “-Competition in the Turkish Banking Sector” above)) and regulatory actions, including those that seek: (a) to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements, increased capital requirements and higher risk-weighting for general purpose loans, or (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see “-Banking Regulatory Matters” and “Risks related to Turkey - High Current Account Deficit” below). For the nine months ended September 30, 2013, the Group’s return on average total assets was 1.4% (compared to 1.9% for the corresponding period in 2012) and the return on average equity attributable to the owners of the Group was 11.7% (compared to 14.9% for the corresponding period in 2012). There can be no assurance that the Group will be able to maintain such levels of profitability.

*Foreign Exchange Risk – The Group is exposed to foreign exchange risks*

A significant portion of the Group’s assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro, and fluctuations in exchange rates may have a material adverse effect on the Group’s business, financial condition and/or results of operations. For example, the Group had loans denominated in currencies other than the Turkish Lira totaling the equivalent of TL 6,288.1 million as of September 30, 2013, representing 14.2% of the Group’s total loans as of such date. In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group’s net profit/(loss) is affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group’s results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

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

Although the Group has adopted procedures and policies aimed at minimizing this risk (see “Risk Management – Foreign Exchange Risk” for further information), these measures might not adequately protect the Group’s business, financial condition and/or results of operations from the effect of exchange rate fluctuations or may limit any benefit that the Group might otherwise receive from favorable movements in exchange rates.

*Interest Rate Risk – The Group may be negatively affected by volatility in interest rates*

The Group’s results of operations depend significantly upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest margin is the difference between interest income and interest expense divided by average interest-earning assets. Net interest income contributed 80.6%, 72.8%, 69.8% and 73.2% of the Group’s operating income for the years 2010, 2011 and 2012 and the nine months ended September 30, 2013, respectively, and net interest margin was 7.7%, 6.2%, 6.9% and 7.0%, respectively, during the same periods. Interest rates are highly sensitive to many factors beyond the Group’s control, including monetary policies pursued by the Central Bank and central banks in other jurisdictions, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect the Group’s results of operations. For example, an increase in interest rates (such as the large increases in January 2014 described in “Risks related to Turkey – High Current Account Deficit” below) could cause interest expense on deposits (which are typically short-term and reset interest rates frequently) to



increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential reduction in net interest income. In addition, an increase in interest rates might also reduce demand for loans from the Group, and thus its ability to originate loans. Further, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group uses derivative instruments and other measures in order to manage exposures to interest rate risk and foreign currency risks, which could be affected by changes in interest rates. There is a risk that these hedging arrangements and other measures will not be adequate to protect the Group from the risks of changing interest rates or that hedging counterparties may default.

*Liquidity Risk – The Group is subject to liquidity and financing risk*

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and satisfy capital requirements. It includes the risk of lack of access to funding (other than from the reserves held with the Central Bank and limits granted to the Bank by the Central Bank both in Turkish Lira and foreign currency), the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with 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. The Group could also lose liquidity through a withdrawal of deposits, whether as a result of a loss of confidence or otherwise. The Group's inability to meet its net funding requirements due to inadequate liquidity could materially adversely affect its business, financial conditions and/or results of operations.

The Group relies primarily on short-term liabilities in the form of deposits (typically term deposits with terms of zero to 70 days) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail loans and loans to corporations (including mortgages and credit cards) and investment securities, which may result in asset-liability maturity gaps and liquidity problems. In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay their loans. For example, if the Group's retail customers become or remain unemployed, then they might save less, or consume more of their money deposited with the Group, which could negatively affect the Group's access to deposit-based funding. An inability on the Group's part to access funds may put the Group's positions in liquid assets at risk and lead the Group to be unable to finance its operations and growth plans adequately. The Group might be unable to secure funding through sources such as syndicated loan facilities or transactions in the international capital markets if conditions in these markets, or its credit ratings or financial condition, were to deteriorate.

The Group also relies upon non-deposit funding (which includes repos and money market funds, funds borrowed and marketable securities issued), which as of September 30, 2013 accounted for 22.7% of the Group's total liabilities. The Group's loan-to-deposit ratio (the Group's total amount of loans and receivables excluding NPLs (as defined below) *divided* by total deposits) was 110.9% as of September 30, 2013. If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets.

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

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

The Group might not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace deposits and devalued assets with alternative funding could result in its failure to service its debt, fulfill loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on the Group's business, financial condition and/or results of operations. For further information on the Group's liquidity risk management policy, see "Risk Management – Liquidity Risk."

*Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent upon foreign currency-denominated debt, which may result in difficulty in refinancing or may increase its cost of funding*

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank has raised (and likely will seek to increase its raising of) longer term funds from syndicated loans, "future flow" transactions, eurobond issuances, bilateral loans and other transactions, almost all of which have been denominated in foreign currencies as such long-term financing is not widely available within Turkey. As of September 30, 2013, the Group's total foreign currency-denominated borrowings constituted 13.6% of its consolidated assets and 69.1% of the Group's TL 6,051.4 million of foreign currency-denominated debt had an original maturity exceeding one year. To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialize, these circumstances could have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group may increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness raised in the international financial markets, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt, resulting in additional interest expense for the Group.

As required by the rules of Basel II and Basel III, banks that are in jurisdictions that have adopted Basel II or Basel III and that provide credit to a bank (such as the Bank) are or may be required to apply a risk-weighting higher than that applied previously. If banks subject to the Basel requirements are required to apply higher risk weightings to credits extended to the Group, then this may result in a reduction in funds available for borrowing by the Group and/or an increase in the costs of such borrowing.

These risks may increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency. As of September 30, 2013, 87.6% of the Group's foreign currency-denominated borrowings (including subordinated loans) were sourced from international banks, multilateral institutions, eurobond offerings and "future flow" transactions (with 33.3% of such borrowings being provided by the NBG Group). Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

*Concentration Risk – The Group's credit portfolio has industry and customer concentration, which renders it susceptible to deterioration in the financial condition of such industries and customers*

Loans to and receivables from the Group's 20 largest customers as of December 31, 2010, 2011 and 2012 and September 30, 2013 represented 5.4%, 4.4%, 4.7% and 5.7%, respectively, of its total performing loans and receivables. In terms of sector concentration, the construction and electricity, food and beverage and tobacco, textile and fabrics and yarn and iron and steel sectors represented the largest concentrations as of September 30, 2013. A downturn in any of these sectors, individually or in the aggregate, may adversely affect the financial condition of the companies operating in such

sectors and may result in, among other things, a decrease in funds that such corporate customers hold on deposit with the Group, defaults on their obligations owed to the Group or a need for the Group to increase provisions in respect of such obligations, any of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition to sector concentrations, significant percentages of the Group's loan portfolio are represented by loans to retail customers (including mortgages, credit cards and consumer loans) and SMEs. While no one such loan is of significant size, retail and SME customers typically have less financial strength than corporate borrowers and negative developments in the Turkish economy could affect retail and SME customers more significantly than large corporate borrowers. A negative impact on the financial condition of the Group's retail or SME customer base could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The general macro-economic conditions in Turkey could have a material adverse effect on the Group's retail and SME customers, both as borrowers and providers of deposits. For example, should the unemployment rate increase, the ability of the Group's retail customers to meet their payment obligations and/or deposit funds with the Bank might be reduced. Similarly, reduced demand caused by a slowdown in the Turkish economy could significantly impact SMEs. Any material adverse effect on the Group's retail and SME customers resulting from macro-economic conditions could impair the Group's business strategies and have a material adverse effect on the Group's business, financial condition and/or results of operations.

*Insufficient Collateral – The value of collateral securing the Group's loans and receivables may be inadequate*

A significant portion of the Group's loans are collateralized and the Group may have difficulty realizing on collateral when debtors default. In addition, the time and costs associated with enforcing security in Turkey may make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets (e.g., the Turkish real estate market) may reduce the value of collateral securing the Group's loans and receivables, increasing the risk that the Group would not be able to recover the full amount of any such loans and receivables in a default. In accordance with the Group's credit policies, if any collateral shortfall is identified during credit reviews of certain loan products, then the applicable borrower is required to provide additional collateral sufficient to cover the shortfall; *however*, a borrower might not be willing or able to post additional collateral. If the Group seeks to realize on any such collateral, it may be difficult to find a buyer and/or the collateral may be sold for significantly less than its appraised or actual value.

The Group also undertakes certain types of lending without tangible collateral, relying only on personal guarantees, which may not be sufficient to cover the outstanding amount following a default and/or may be difficult to enforce.

If the Group is unable to realize adequate proceeds from collateral disposals or enforcing guarantees to cover loan losses, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

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

The global financial crisis and related economic slowdown has significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. As noted above, Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.8% in 2009 but, following the

implementation of fiscal and monetary measures during 2009, began to recover in the fourth quarter of 2009 and has since continued to expand. While unemployment levels have also improved since the onset of the financial crisis, they remain elevated. There can be no assurance that the unemployment rate will continue to improve, or even that it will not increase in the future. Continuing high levels of unemployment may affect the Group's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, have undermined investor confidence and resulted in a general deterioration of the financial markets since 2010. Although there have been indications of economic recovery, the recovery may not continue. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects or financial condition of the Group's customers, which, in turn, could further reduce the Group's asset quality and demand for the Group's products and services and negatively impact the Group's growth plans. The Group's business, financial condition and/or results of operations may also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

*Reduction in Earnings on Investment Portfolio – The Group may be unable to sustain the level of earnings on its securities portfolio obtained during recent years*

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2010, 2011 and 2012 accounting for 10.4%, 9.5% and 10.0%, respectively, of its total interest income (and 8.7%, 7.7% and 8.2%, respectively, of its gross operating income before deducting interest expense and fee and commission expense). For the nine months ended September 30, 2013, interest income from its securities portfolio accounted for 8.1% and 6.7%, respectively, of its total interest income. The Bank also has obtained large realized gains from the sale of securities in the available-for-sale portfolio. The CPI-linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income may not be as large in coming years. In particular, the robust trading gains earned during the global financial crisis as a result of the high level of volatility in financial markets might not continue. In addition, the recent trend towards lower interest rates may result in lower nominal earnings on the Group's holdings of securities. As such, high levels of earnings from the Group's securities portfolio might not be sustainable in future periods. If the Group is unable to sustain its high levels of earnings from its securities portfolio, then this could have a material adverse effect on its business, financial condition and/or results of operations. In addition, as the Group's investment portfolio is heavily concentrated in Turkish government securities, see also "Risks related to Turkey – Government Default" below.

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

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

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

The Group is subject to a number of banking, consumer protection, competition, antitrust and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Group operates. Basel II regulations have been in effect in Turkey for standardized approaches since July 1, 2012.

Turkish banks' capital adequacy requirements will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated September 5, 2013 and numbered 28756, 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 entered into effect on January 1, 2014. The 2013 Equity Regulation introduces 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%) and a minimum Tier I capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorized under "other assets." The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital 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 the Official Gazette dated November 5, 2013 and numbered 28812 and entered into effect on January 1, 2014 (with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that enters into effect on January 1, 2015). Lastly, in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a draft regulation on a liquidity coverage ratio. If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "Turkish Regulatory Environment" below for a further discussion on Basel III.

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

Such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group 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 Group to adopt adequate responses to these or future changes in the regulatory framework could have an

adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with regulatory guidelines could expose the Group to potential liabilities and fines and damage its reputation.

As applicable to all other enterprises in Turkey, the Bank is also subject to competition and antitrust laws. In November 2011, the Turkish Competition Board initiated an investigation against the Bank and 11 other banks operating in Turkey with respect to allegations of acting in concert regarding interest rates and fees on deposits, loans and credit card services. On March 8, 2013, the Competition Board ruled that the Bank was to be fined TL 54 million (other banks were also fined, ranging from TL 10 million to TL 213 million, with fines generally based upon net income) in connection with this investigation. As the payment of such amount is without prejudice to making an appeal, the Bank paid three quarters of this administrative penalty (*i.e.*, TL 40.5 million), in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision. The Bank has objected to this decision through proceedings in the administrative courts. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against the Bank in this respect, under articles 57 and 58 of the Law on the Protection of Competition customers may be able to bring claims against the Bank seeking damages. See also "Business of the Group – Legal Proceedings."

*Related Party Transactions - The Bank is exposed to risks related to doing business with related parties*

The Banking Law places limits on a Turkish bank's exposure to related parties. The Group enters into banking transactions with its affiliates, including non-financial entities in which it holds a participation, within the framework of the Banking Law and tax regulations. Although the Bank's management believes that these transactions are on an arm's length basis and in line with the Banking Law and tax regulations, the interests of the Group might not at all times be aligned with the interests of the Noteholders. For further information on the Group's transactions with its affiliates, see "Business of the Group – Related Party Transactions."

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

Although the Group has adopted various policies and procedures, and has put in place systems (including internal controls, "know your customer" rules and transaction monitoring) aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish legislation and international standards aimed at preventing it being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Similar to other financial institutions, if the Group fails to comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing regulations and/or is associated with money laundering and/or terrorist financing, then its business, results of operations, financial condition and/or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions and could severely harm the Group's reputation.

*Risk Management Strategies – The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks*

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks. The Group's risk management and internal control policies and procedures might not adequately control, or protect the Group against, all credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data, which, as evidenced by events caused by the recent 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 Group's risk management or other internal control policies or procedures might expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

*Turkish Disclosure Standards – Turkish disclosure standards may require a lesser amount of disclosure than rules in certain other countries*

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

The BRSA’s rules require Turkish banks to publish their 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 reviewed financial statements and interim management reports. 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 statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. In addition, banks that are listed on the Borsa İstanbul are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors’ decisions and/or that would be likely to have a significant effect on the price of the issuer’s securities (both through the Turkish government’s Public Disclosure Platform’s website and the bank’s own website). Investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States and certain other markets.

The Group maintains its accounting systems and prepares its accounts and publishes quarterly financial results in accordance with the BRSA Principles. With respect to IFRS, the Bank only publishes annual consolidated financial statements. There are differences between the BRSA Financial Statements and the IFRS Financial Statements. A summary of certain of such differences as they apply to the Group has been included in Appendix A (“Overview of Significant Differences between IFRS and BRSA Accounting Principles”), including differences that may materially alter the description of the Group’s results of operations and financial position. Potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Base Prospectus.

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

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees, lack or loss of skilled IT employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). The Group is also subject to service interruptions from time to time for third party services such as telecommunications, and service interruptions due to natural disasters, which are beyond the Group’s control. Such interruptions may result in interruption to services to the Group’s branches and/or impact on customer services. Given the Group’s high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect for any bank to detect quickly or at all. While the Group maintains a system of controls designed to monitor and control operational risk, the Group might suffer losses from such risks. Losses from the failure of the Group’s system of internal controls to discover and rectify such matters could have a material adverse effect on the Group’s business, financial condition and/or results of operations. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

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

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

Any failure, interruption or breach in security of the Group's IT systems could result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organization and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery center, and may continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thus lose business. Likewise, a temporary shutdown of the Group's IT systems could result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing information systems as effectively as its competitors may result in a loss of the competitive advantages that the Group believes its information systems provide. Such failures or interruptions may occur and/or the Group may not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the IT systems or increased costs associated with such systems could have a material adverse effect on the Group's business, financial condition and/or results of operations.

*Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental or other support in the event of illiquidity or insolvency*

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

*Leverage Risk – The Group may become over-leveraged*

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

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

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

*Turkish Banking System – The Turkish banking sector has experienced significant volatility in the past and may experience significant volatility in the future*

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the



profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility. If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

*Dependence upon Banking and Other Licenses – Group members may be unable to maintain or secure the necessary licenses for carrying on their business*

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

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

By law, each of the Bank and the Group is required to maintain certain capital levels and capital ratios in connection with its banking business. Such capital ratios depend in part upon the level of risk-weighted assets. The Group expects that improving economic conditions will result in increased lending and, as a result, the Bank's management expects there to be a continuing increase in the Group's risk-weighted assets, which may adversely affect the Group's capital ratios. Changes relating to Basel III may also impact the manner in which the Group calculates its capital ratios and may even impose higher capital requirements (see "Turkish Regulatory Environment – Capital Adequacy - Basel III"). Additionally, it is possible that the Group's capital levels could decline due to, among other things, credit losses, increased credit reserves, currency fluctuations or dividend payments. In addition, the Group may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets. Should the Group desire or be required to raise additional capital, that capital may not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks materialize, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

## **Risks related to Turkey**

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

As almost all of the Group's assets and operations are in Turkey, the Group's business and results of operations are affected by general economic conditions in Turkey. 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 stabilized due, in part, to support from the International Monetary Fund (the "IMF"), Turkey may experience a further significant economic crisis in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkey's GDP growth in the mid-2000s was healthy until falling to 0.7% in 2008 in connection with the global financial crisis. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and 4.8% in 2009, before growing in 2010 (9.2%), 2011 (8.8%) and 2012 (2.2%). Turkey's real GDP grew by 3.3% in the first nine months of 2013 compared to the same period in 2012. In October 2013, the government announced a three year medium-term economic program from 2014 to 2016. Under this program, the government has set growth targets of 4.0% for 2014 and 5.0% for 2015, as well as a gradual decrease in the net public debt to GDP ratio, according to the Ministry of Development. Should Turkey's economy experience macro-economic imbalances, it could have a material adverse impact on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "Risks Related to the Group

and its Business - Global Financial Crisis and Eurozone Crisis” above and the discussion of the January 2014 increase in interest rates discussed in “- High Current Account Deficit” below.

Turkey’s economy is vulnerable to external shocks, including the current global economic crisis. Although Turkey’s growth dynamics are to some extent dependent upon domestic demand, Turkey is also dependent upon trade with Europe and 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 from the EU could have a material adverse effect on Turkish exports and Turkey’s economic growth.

As noted above, the Bank’s management does not believe that the Taksim Square protests will have a material long-term negative impact on Turkey’s economy; *however*, it is possible that these (and other) protests and related circumstances could have such an impact and/or a negative impact on investors’ perception of Turkey and/or the value of the Notes.

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

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

Protests starting in May 2013 in İstanbul, and spreading to Ankara and other major cities in Turkey, against plans to replace Gezi Park, an urban park in İstanbul’s central Taksim Square, with a commercial development, and resulting confrontations among protestors and security forces, contributed to a significant increase in the volatility of Turkish financial markets. While the Bank’s management does not believe that these conflicts will have a material long-term negative impact on Turkey’s economy or the Group’s business, financial condition or results of operation, it is possible that these (or other) protests and related circumstances could have such an impact and/or a negative impact on investors’ perception of Turkey, the strength of the Turkish economy and/or the value of the Notes.

Beginning in 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 suspicions of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Turkish government, police and judiciary. The government’s responses to these events have included the removal of certain prosecutors and police from their offices and proposals to change the manner in which the police and judicial authorities are supervised by the national government, which has led to concerns about the separation of powers. These events have contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. The occurrence of these events, and when and in what manner they are resolved, have had and may continue to have: (a) a material negative impact on the Group’s business, financial condition and/or results of operation and (b) a negative impact on investors’ perception of Turkey, the strength of the Turkish economy and/or the value of the Notes.

These events are particularly noteworthy as Presidential and municipal elections are scheduled to be held in Turkey in 2014 and the events surrounding such elections and/or the results of the elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors’ perception of Turkey. Actual or perceived political instability in Turkey could have a material adverse effect on the Group’s business, financial condition and/or results of operations and on the value of the Notes.

*Emerging Market Risks – The Group is subject to risks associated with doing business in an emerging market*

The Group operates predominantly in Turkey and derives almost all of its revenue from its operations in Turkey. Moreover, to a large extent, its international operations provide services to Turkish individuals and Turkish companies operating internationally. As a result, the Group’s business, results of operations, financial condition and prospects are

significantly affected by the overall level of economic activity and political stability in Turkey. Despite Turkey undergoing significant political and economic reform in recent years that increased stability and led to economic growth, Turkey is still considered by international investors to be an emerging market.

In general, investing in the securities of issuers with substantial operations in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions. Accordingly, investors' perception of Turkey as an emerging economy could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes.

Investors' interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general (for example, the recent global market crisis or monetary policies in the United States). An increase in the perceived risks associated with investing in emerging economies could adversely affect the Turkish economy, and the Notes may be subject to fluctuations in price that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors, Turkey could be adversely affected by negative economic or financial developments in other emerging market countries. Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. Similar developments can be expected to affect the Turkish economy in the future, which could, in turn, have an adverse impact on the value of the Notes.

*Terrorism and Conflicts – Turkey is subject to internal and external unrest and the threat of terrorism*

Turkey is located in a region that has been subject to ongoing political and security concerns. Political uncertainty within neighboring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has 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 and North Africa, such as Libya, Tunisia, Egypt, Syria, Jordan, Bahrain and Yemen. Unrest in those countries may affect Turkey's relationships with its neighbors, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. For example, heightened tensions between Turkey and Iran could impact the Turkish economy, lead to higher energy prices in Turkey and further negatively affect Turkey's current account deficit. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and 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 and North Africa and may experience material negative effects, including the Group's operations in such regions.

The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution is difficult to predict. In early October 2012 Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On October 4, 2012, the Turkish Parliament authorized the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, and on 3 October 2013, the authorisation was extended for one year.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organization that is listed as a terrorist organization by states and organizations including the EU and the United States). Turkey has from time to time been the subject of terrorist bomb attacks. The Taksim Square protests described above have also contributed to recent volatility in the Turkish financial markets.

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

*Combating the Financing of Terrorism – The Financial Action Task Force may call upon its members to take measures against Turkey*

Although Turkey has a high-level political commitment to work with the Financial Action Task Force (the “FATF”) to seek to address Turkey’s deficiencies in combating the financing of terrorism, the FATF requested that Turkey make progress in implementing its action plan. In particular, Turkey: (a) is required to make sufficient progress in adequately criminalizing terrorist financing and (b) was required, before February 23, 2013, to implement an adequate legal framework for identifying and freezing terrorist assets. If sufficient progress is not realized, the FATF has advised that it might call upon its members to apply countermeasures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Turkey were introduced with the entry into force of the Law No. 6415 on the Prevention of the Financing of Terrorism on February 16, 2013 (the “CFT Law”). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On May 31, 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of the frozen assets. In addition, the Council of Ministers’ Decree dated September 30, 2013 implemented United Nations Security Council Resolutions 1267, 1988 and 1989, which further improved Turkey’s CFT regime. On February 22, 2013, due to the implementation of the CFT Law, the FATF decided not to recommend the application of the above-mentioned countermeasures; *however*, the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with FATF requirements. In the event that the FATF finds the new measures introduced with the CFT Law to be insufficient, then FATF measures as described above may be imposed on Turkey and this could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

*Earthquakes – Turkey is located in a high-risk earthquake zone*

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. On August 17, 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding İzmit. On November 12, 1999, another earthquake occurred in the city of Düzce, between Ankara and İstanbul, resulting in significant financial costs to Turkey. More recently, in October 2011 an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country causing significant property damage and loss of life. A significant portion of Turkey’s population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the Group’s properties and business operations in Turkey are located in earthquake risk zones.

The Group maintains insurance for its assets but does not have the wider business interruption insurance or insurance for loss of profits as such insurance is not generally available in Turkey. The occurrence of a severe earthquake could adversely affect one or more of the Group’s facilities, therefore causing an interruption in, and an adverse effect on, the Group’s business. In addition, a severe earthquake could harm the Turkish economy in general (including the Group’s customers), which could adversely affect the Group’s business, financial condition and/or results of operations.

*Inflation Risk – Turkey’s economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future*

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009, the lowest level in many years. Consumer price inflation was 6.4%, 10.4%, 6.2% and 7.4% in 2010, 2011, 2012 and 2013, respectively. Producer price inflation was 8.9%, 13.3%, 2.5% and 7.0% in 2010, 2011, 2012 and 2013, respectively. Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the Central Bank’s

inflation target, 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 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 Group's business, financial condition and/or results of operations.

*High Current Account Deficit – Turkey's high current account deficit may result in government policies that negatively affect the Group's business*

In 2010, the Turkish current account deficit was US\$45.4 billion, which increased to US\$75.1 billion in 2011 before decreasing to US\$47.9 billion in 2012, according to the Central Bank. The decline in the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been 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 (due to the recovery in domestic demand) the annualized current account deficit increasing to US\$59.1 billion as of September 2013. The Bank's management expects this to be followed by a period of gradual decreases in parallel with macro-prudential measures issued by the BRSA to limit domestic demand and address the Central Bank's tight monetary policy, the recent increases of taxes and the depreciation of the Turkish Lira, which can also have a decreasing impact on imports and domestic demand. Moreover, due to the increasing competitiveness of the Turkish Lira, exports might improve, which could lead to a reduction of the current account deficit.

If the value of the Turkish Lira changes, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has taken certain actions to maintain price and financial stability. For example, in meetings in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.5% to 7.25% and then 7.75% and also announced that there will be no funding to banks via the primary dealer repo facility on additional monetary tightening days. In January 2014, to counter a significant depreciation in the Turkish Lira, the Central Bank held an interim Monetary Policy Committee meeting and increased its overnight borrowing rate to 8% from 3.5%, its one-week repo rate to 10% from 4.5% and its overnight lending rate to 12% from 7.75%. 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. If the current account deficit widens more than anticipated, financial stability in Turkey might deteriorate. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Turkey, and a failure to reduce the current account deficit could have a negative impact on Turkey's sovereign credit ratings. Any such difficulties may lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilize the Turkish financial system, and any such measures might adversely affect the Group's business, financial condition and/or results of operations.

Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon 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. While diversification in the export markets towards near and Middle East countries limited the negative impacts of external demand-related risks on domestic economic activity, the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit.

In early 2011, the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. To that end, the BRSA from time to time introduces regulations to control loan growth, including measures that will, among other things: (a) increase Turkish banks' general provision requirements in certain circumstances and (b) increase the risk-weighting for certain consumer loans in calculating capital adequacy ratios. See "Turkish Regulatory Environment." These regulations could have a material adverse effect on the Group's business, financial condition and/or results of operations.

### *Exchange Rates – The value of the Turkish Lira fluctuates against other currencies*

Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile. Since February 2001 the Central Bank has applied a floating exchange rate policy that has arguably resulted in increased volatility in the value of the Turkish Lira. In 2012, the Turkish PPI increased by 2.5% while during the same period the Turkish Lira appreciated (in nominal terms) against the U.S. Dollar by 6.5%, according to the Central Bank. According to the Central Bank, the CPI-based real effective exchange rate increased from 109.63 as of December 31, 2011 to 118.18 as of December 31, 2012, indicating a 7.8% real appreciation.

In 2013, in nominal terms the Turkish Lira depreciated against the U.S. Dollar by 16.97%. According to the CPI-based real effective exchange rate index, the Turkish Lira depreciated by 9.58% in real terms during 2013. In particular, during June 2013 the value of the Turkish Lira depreciated against major currencies due to the increased risk perception in global markets due to the market's expectation that the U.S. Federal Reserve might reduce its quantitative easing and the Taksim Square protests described above. Against these developments, the Central Bank implemented additional monetary tightening and held intra-day foreign exchange selling auctions in order to reduce the volatility of the Turkish Lira. The Turkish Lira further weakened toward the end of 2013 as a result of the U.S. Federal Reserve's decision to reduce monthly asset purchases and the heightened political tensions in Turkey and, year-to-date through January 31, 2014, has depreciated against the U.S. Dollar by a further 4.8%. In January 2014, to counter the significant depreciation in the Turkish Lira, the Central Bank held an interim Monetary Policy Committee meeting and increased its overnight borrowing rate to 8% from 3.5%, its one-week repo rate to 10% from 4.5% and its overnight lending rate to 12% from 7.75%. These and other domestic and international circumstances might result in continued or increasing volatility in the value of the Turkish Lira.

Any significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on the Group's business, financial condition and/or results of operations.

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

The Group has significant exposure to Turkish governmental and state-controlled entities. As of September 30, 2013, 96.5% of the Group's total securities portfolio (equal to 12.1% of its total assets and 100.4% of its shareholders' equity) was invested in securities issued by the Turkish government. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### **Risks related to the Bank's relationship with NBG**

*Control by NBG – The Bank is controlled by NBG, whose interests may not be aligned with the interests of the investors in the Notes*

As of September 30, 2013, NBG directly and indirectly owned 94.8% of the Bank's outstanding shares and has the voting power to influence the Bank's strategy and business significantly, including through its power to elect all of the Bank's Board of Directors and to determine the outcome of almost all matters to be decided by a vote of the Bank's shareholders. The interests of NBG may differ from those of the investor in the Notes and NBG may cause the Bank to take or refrain from taking certain actions (e.g., declaring dividends or entering into corporate transactions) that may adversely affect the Noteholders' investment in the Notes. See "Management" and "Share Capital and Ownership."

In addition, if the NBG Group were to sell some or all of its shares in the Bank (whether in a secondary offering or a block sale to a strategic buyer), then the Bank may become controlled by a new party with different interests than the NBG Group. As the Conditions do not include an Event of Default relating to a change in control of the Bank, investors in the Notes will not be entitled to have their Notes repaid as a result of any such change in control. See "Potential Interference by the Hellenic Republic" below.

*Potential Interference by the Hellenic Republic – The Hellenic Republic, including through the HFSF, may seek to exert influence over NBG, which could have an adverse impact on the NBG Group, including the Bank*

As of the date of this Base Prospectus, the Hellenic Republic directly owns all of the non-transferable redeemable preference shares issued by NBG under the capital facility of the Hellenic Republic's bank support plan. This direct stake of the Hellenic Republic in NBG provides the Hellenic Republic with (among other things) voting rights at the general meeting of preferred shareholders and the appointment of a representative on the Board of Directors of NBG. This board representative: (a) has the power to veto decisions relating to: (i) strategic issues or decisions that could have a material impact on the legal or financial status of the NBG Group and for which the approval of the general meeting of shareholders is required, (ii) the distribution of dividends, (iii) the remuneration of NBG's Chairman, Chief Executive Officer, Deputy Chief Executive Officer, the remaining members of the Board of Directors, the General Managers and their deputies under the relevant decision of the Ministry of Finance and (iv) decisions that the representative considers detrimental to the interests of NBG's depositors or that may materially affect NBG's solvency and operations, and (b) has unlimited access to NBG's books and records, restructuring reports, plans for medium-term financing needs and data relating to the level of NBG's funding of the Greek economy.

In addition, in the context of the recapitalization of Greek banks and as a result of the contribution to NBG by the Hellenic Financial Stability Fund (the "HFSF") of bonds issued by the European Financial Stability Fund (the "EFSF"), which contribution was an advance for the participation in a future share capital increase by NBG, the HFSF appointed on June 11, 2012 a representative to NBG's Board of Directors. NBG's share capital increase, which took place in June 2013, was completed through a share capital increase of €9.8 billion, of which €1.1 billion was contributed by private investors and €8.7 billion by the HFSF. As of the date of this Base Prospectus, the HFSF holds 84.4% of NBG's ordinary shares, though the HFSF is subject to certain restrictions on its voting rights and on its sale of the shares. See also "Share Capital and Ownership – Ownership – National Bank of Greece."

In addition to the interest held by the HFSF, as of September 30, 2013, the Hellenic Republic directly held a small amount of NBG's ordinary shares (with regular voting rights) and certain state-related entities (primarily pension funds, most of whose boards of directors are appointed by the Hellenic Republic) also held ordinary shares in NBG. As a result of this interest as well as its regulatory oversight of NBG, the Greek government may have the ability to control and influence NBG's actions, including causing NBG to dispose of its shares in the Bank.

As of September 30, 2013, the Group had a total of TL 2,554.4 million in funds borrowed from the NBG Group and the NBG Group maintained total deposits of TL 33.1 million with the Group. If the Hellenic Republic disagrees with certain decisions of NBG's management relating to dividend distributions, benefits policies and other commercial decisions, including (but not limited to) lending to or placing deposits with the Bank or participating in future capital increases of the Bank, then it might seek to exert influence over NBG, which may ultimately limit the operational flexibility of NBG and could have an adverse impact on the NBG Group, including the Bank.

Furthermore, the Hellenic Republic and the HFSF also have interests in other Greek financial institutions and an interest in the health of the Greek banking industry and other industries generally, and those interests may not always be aligned with the commercial interests of the NBG Group, including the Bank. Moreover, the Hellenic Republic remains under the scrutiny of the EU, the IMF and the European Central Bank in connection with economic rescue packages that have been received by the Hellenic Republic, and the EU, the IMF and the European Central Bank may exert pressure on the Hellenic Republic to take measures that have an adverse impact on the NBG Group, including the Bank. There can be no assurance that, if economic conditions in Greece do not improve or continue to deteriorate and/or if the financial position of the NBG Group deteriorates, further government intervention (including through the HFSF) will not take place and that such intervention will not have a material adverse effect on the Bank's business, financial condition and/or results of operation.

#### **Risks related to the structure of a particular issue of Notes**

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

*Optional Redemption - If the Issuer has the right to redeem a Series of Notes at its option, then this may limit the market value of such Notes and an investor might not be able to reinvest the redemption proceeds in a manner that achieves a similar effective return*

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

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

*Change of Interest Basis - If the Issuer has the right to convert the interest rate on a Series of Notes from a fixed rate to a floating rate, or vice versa, then this may affect the secondary market and the market value of such Notes*

Fixed/Floating Rate Notes are Notes that may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion with respect to a Series of Notes, this may affect the secondary market and the market value of such Notes since the Issuer would be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, then the spread on the Fixed/Floating Rate Notes might be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time might be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, then the fixed rate might be lower than then prevailing market rates.

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

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

For Notes denominated in a Specified Currency other than U.S. Dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to open and maintain a bank account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on such Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. Dollars and the holders of such Notes will receive payment in U.S. Dollars through DTC's normal procedures. See "Terms and Conditions of the Notes – Condition 7.13."

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



Under Condition 7.10, if the Fiscal Agent receives cleared funds in respect of Turkish Lira-denominated Notes 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, then the relevant payments in respect of the Notes will be made in Turkish Lira.

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

*Potential Price Volatility - Notes that are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

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

### **Risks related to Notes denominated in Renminbi**

Notes may be issued under the Program denominated in Renminbi (“*Renminbi Notes*”). An investment in Renminbi Notes involves particular risks, including:

*Renminbi Convertibility - Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC that may adversely affect the liquidity of investments in Renminbi Notes*

Renminbi is not freely convertible as of the date of this Base Prospectus. The government of the PRC (the “*PRC Government*”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over routine foreign exchange transactions under current accounts. As of the date of this Base Prospectus, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity.

On October 12, 2011, the Ministry of Commerce of the PRC (“*MOFCOM*”) promulgated the “Circular on Certain Issues Concerning Direct Investment Involving Cross-border Renminbi” (the “*MOFCOM Circular*”). Pursuant to the MOFCOM Circular, prior written consent from the appropriate office of MOFCOM and/or its local counterparts is required for Renminbi foreign direct investment (“*FDI*”) in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions that require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM. The MOFCOM Circular also states that the proceeds of FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in domestic companies listed in the PRC through private placements or share transfers by agreement under the PRC strategic regime.

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

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

There is no assurance that the PRC Government will continue to gradually liberalize control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated that have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. As of the date of this Base Prospectus, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong and Taiwan. Certain banks (each a “RMB Clearing Bank”) have entered into settlement agreements with the PBoC to act as the RMB clearing bank in Singapore, Hong Kong and Taiwan, respectively.

Notwithstanding these arrangements, the size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. These banks are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank has access to onshore liquidity support from the PBoC only for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, for individual customers of up to RMB 20,000 per person/per day and for designated business customers relating to RMB received in providing their services. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where a Renminbi Currency Event is specified in the applicable Final Terms, in the event access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 7.9), the Issuer is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Issuer to make payment in U.S. Dollars at the prevailing spot rate of exchange, all as provided in Condition 7.9. The value of these Renminbi payments in U.S. Dollar terms may vary with the prevailing exchange rates in the market place.

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

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

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

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

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

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB settlement center(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely: (a) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary (a “*Common Depositary*”) or common safekeeper (a “*Common Safekeeper*”), as the case may be, for Euroclear and Clearstream, Luxembourg, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB settlement center(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (b) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB settlement center(s) in accordance with prevailing rules and regulations. Other than as described in Condition 7.9, the Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

*PRC Income Tax - Gains on the transfer of investments in Renminbi Notes may become subject to income taxes under PRC tax laws*

Under the New Enterprise Income Tax Law and its implementation rules, any gains realized on the transfer of the investments in the Renminbi Notes by holders who are deemed to be non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the New Enterprise Income Tax Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administration organization is not in the PRC, which enterprise has either: (a) established offices or premises in the PRC or (b) not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, there is uncertainty as to whether gains realized on the transfer of investments in the Renminbi Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, then the 10.0% enterprise income tax rate and 20.0% individual income tax rate (as applicable) will apply unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the investment in the Renminbi Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from such income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, investors in Renminbi Note who are Hong Kong residents (including both enterprise holders and individual holders) will be exempted from PRC income tax on capital gains derived from a sale or exchange of interests in the Renminbi Notes if such capital gains are not connected with an office or a premise that such investor has in the PRC.

If an investor in the Renminbi Notes, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of its investment in the Renminbi Notes, then the value of such investor’s investment in the Renminbi Notes may be adversely affected.

**Risks related to Notes generally**

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

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

While senior Notes issued under the Program will rank *pari passu* with all of the Bank’s other unsecured and unsubordinated indebtedness, they will be effectively subordinated to certain preferential obligations under Turkish law.

These preferred obligations include, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any amount that such depositors are not fully able to recover from the SDIF, claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank. In addition, creditors of the Bank holding collateral will have preferential rights with respect to such collateral. Any such preferential claims may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and may result in an investor in the Notes losing all or some of its investment.

*Redemption for Taxation Reasons – Unless provided otherwise in the applicable Final Terms, the Bank will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay increased withholding taxes with respect to interest or other payments on the Notes*

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree 2009/14592 dated January 12, 2009, which has been amended by Decree No. 2010/1182 dated December 20, 2010 and Decree No. 2011/1854 dated April 26, 2011 (together, the “Tax Decrees”). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7%, (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3%, and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Also, in case of early redemption, the redemption date will be considered the maturity date and withholding tax rates will apply accordingly. Unless provided otherwise in the applicable Final Terms, the Bank will have the right to redeem a Series of Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if: (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, on the next Interest Payment Date the Bank would be required to: (A) pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 9 and (B) 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 applicable prevailing rates on such date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, and (ii) 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 an equivalent rate of return as their investment in the redeemed Notes and, in the case of any Floating Rate Notes, the redemption could take place on any day during an Interest Period.

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

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

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

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

Other than the approvals of the CMB and the Central Bank of Ireland described herein, the Notes: (a) have not been and are not expected to be registered under the Securities Act or any state’s or other jurisdiction’s securities laws and (b) have not been approved or disapproved by the SEC or any other jurisdiction’s securities commission or other regulatory authority. The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments 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 “Transfer and Selling Restrictions.”

Further to the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the CRA and the interests therein recorded in the CRA; *however*, upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside Turkey. The Bank submitted an exemption request through its letter to the CMB and such exemption was granted by the CMB in its letter to the Bank dated November 14, 2013 numbered 29833736-105.03.01-3471. As a result, this requirement will not be applicable to the Notes to be issued pursuant to the CMB Approval of May 3, 2013 (and also the CMB Approval of November 28, 2013, which allows the issuance of Notes having a maturity of less than one year under the CMB Approval of May 3, 2013). Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the issue date of a Tranche of Notes of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

Because transfers of interests in the Global Notes can be effected only through book entries at the applicable Clearing System(s) 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 or unable to invest in notes held in book-entry form in the name of a participant in the applicable Clearing System. The ability to pledge interests in the Notes (or beneficial interests therein) may be limited due to the lack of a physical certificate. In the event of the insolvency of a Clearing System 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.

*Further Issues – The Bank may issue further notes, which may dilute the Noteholders' share of the total issuance*

As permitted by Condition 17, the Bank may from time to time without the consent of the Noteholders of a Series create and issue further Notes of such Series; *provided* that such further notes will be required to 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). To the extent that the Bank issues such further Notes of a Series, the existing Noteholders' share of the total issuance (*e.g.*, for voting) of such Series will be diluted.

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

The Bank is a public joint stock company organized under the laws of Turkey. Certain of the directors and officers of the Bank 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 Bank 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 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. Nevertheless, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. The same may apply for judgments obtained in other jurisdictions. For further information, see "Enforcement of Judgments and Service of Process."

*EU Savings Directive – The Notes may be subject to withholding taxes in circumstances in which the Issuer is not obliged to make gross-up payments, which would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes*

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state; *however*, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (for example, a

withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from January 1, 2015 in favor of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to such Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a member state that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, then neither the Bank, nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank will be required to maintain a paying agent that is not located in a member state of the European Union that will oblige such paying agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

#### *U.S. Foreign Account Tax Compliance Withholding*

The U.S. Foreign Account Tax Compliance Act (“FATCA”) imposes a reporting regime and, potentially, a 30% withholding tax with respect to: (a) certain payments from sources within the United States, (b) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank may be classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, then none of the Bank, any Paying Agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section “Taxation – U.S. Foreign Account Tax Compliance Act.” Investors in the Notes are urged to consult their own tax advisors regarding FATCA as it applies to the Notes.

#### *Change in Law - The value of the Notes could be adversely affected by a change in English law or administrative practice*

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

#### *Definitive Notes might need to be Issued - Investors who hold investments in Global Notes in denominations that are not an integral multiple of the applicable Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes in global form that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount that is less than the minimum Specified Denomination in an account with the relevant Clearing System at the relevant time may not receive a definitive Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of the applicable Series of Notes such that its holding amounts to such Specified Denomination.

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

#### *Clearing Systems-- Reliance upon DTC, Euroclear and Clearstream, Luxembourg procedures*

Unless issued in definitive form, Notes 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 depository 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. Except in the circumstances described in the applicable Global Note, investors will not be entitled to receive Notes in definitive form. Each of the Clearing Systems and their respective direct and indirect participants will maintain records of the

beneficial interests in each Global Note held through it. While Notes are represented by a Global Note, investors will be able to trade their beneficial interests therein only through the relevant Clearing Systems and their respective participants.

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

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

*Sanction Targets – Persons investing in the Notes might have indirect contact with Sanction Targets as a result of the Bank's investments in and business with countries on sanctions lists*

The Office of Foreign Assets Control of the U.S. Department of Treasury (“OFAC”) administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (“SDNs”), and other United States, United Kingdom, EU and United Nations rules impose similar restrictions (the SDNs and other targets of these restrictions being together the “Sanction Targets”). As the Bank is not a Sanction Target, these rules do not prohibit U.S. or EU citizens from investing in, or otherwise engaging in business with, the Bank; *however*, while the Bank's current policy is not to engage in any business with Sanction Targets, to the extent that the Bank invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Bank may incur the risk of indirect contact with Sanction Targets. See “Business of the Group - Compliance with Sanction Laws.” In addition, there can be no assurance that current counterparties will not become Sanction Targets in the future. See “Risk Management – Anti-Money Laundering and Combating the Financing of Terrorism Policies.”

### **Risks related to the market generally**

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

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

*Market Price Volatility - The market price of the Notes may be subject to a high degree of volatility*

The market value of any Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other Notes or debt securities, as well as other factors, including the trading market for debt 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 value of Notes without regard to the Bank's financial condition or results of operations.

The market value of any 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 Bank's, which could adversely affect the market value of Notes.

*Exchange Rate Risks and Exchange Controls – If an investor holds Notes that are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding; in addition, the imposition of exchange controls in relation to the Specified Currency of any Notes could result in an investor not receiving payments on those Notes*

Except as described otherwise herein, the Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks related 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 of any related conversions.

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

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

*Credit Ratings - 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). 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). 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.



## 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 may be issued only outside the United States in reliance upon Regulation S and Registered Notes may be issued both outside the United States in reliance upon the exemption from registration provided by Regulation S and within the United States in reliance upon Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

### **Bearer Notes**

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

(a) if the Bearer Global Notes of a Tranche are 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 such Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and

(b) if the Bearer Global Notes of a Tranche are not issued in NGN form, be delivered on or prior to the original issue date of such Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes or Bearer Notes issued in compliance with TEFRA C) that have an original maturity of more than 365 days and on all interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN ss165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The above-referenced sections of the Code provide that United States investors, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons with respect thereto and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes or interest coupons.

Beneficial interests in Notes that 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.

*NGN Form.* Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the Issuer will inform Euroclear and Clearstream, Luxembourg in writing prior to the Issue Date of such Tranche whether or not such Bearer Global Notes are intended to be held in a manner that would allow Eurosystem eligibility. Any indication to any person that a Bearer Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognized 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 a Tranche of NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

For any Temporary Bearer Global Note, on and after the date (“*Exchange Date*”) that is 40 days after such Temporary Bearer Global Note has been issued, beneficial interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either (as to be specified in the applicable Final Terms) for: (a) beneficial interests in a Permanent Bearer Global Note of the same Series or (b) definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above; *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 beneficial interest in a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the applicable Exchange Date unless, upon due certification, exchange of such Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

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

## **Registered Notes**

Each Tranche of Registered Notes offered and sold in reliance upon Regulation S initially will be represented by a global note in registered form (each a “*Regulation S Global Note*”) or in definitive form (each such definitive note or Regulation S Global Note being a “*Regulation S Note*”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each such Tranche of Notes, a Regulation S Note (or beneficial interests therein) may not be offered or sold to, or for the account or benefit of, a U.S. Person except as otherwise provided in Condition 2 and such Regulation S Note will be subject to the restrictions on transfer set forth therein and will bear the applicable restrictive legend described under “Transfer and Selling Restrictions.”

The Registered Notes (or beneficial interests therein) of each Tranche offered and sold in the United States or to (or for the account of) U.S. Persons may only be offered and sold in private placements by the Bank: (a) directly to one or more “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“*Institutional Accredited Investors*”) who execute and deliver to the Issuer an investment letter substantially in the form set out in the Agency Agreement (an “*IAI Investment Letter*”) in which they agree to purchase (and represent that they are purchasing) such Notes (or beneficial interests therein) for their own account and not with a view to the distribution thereof or (b) to one or more Dealer(s) who then re-sell(s) such interests to QIBs under Rule 144A. The Registered Notes of each Tranche sold to Institutional Accredited Investors as described in clause (a) will be represented by one or more global note(s) in registered form (each an “*IAI Global Note*”) or in definitive form (“*IAI Registered Notes*”) and the Registered Notes of each Tranche sold to QIBs as described in clause (b) will be represented by one or more global note(s) in registered form (each a “*Rule 144A Global Note*” and, together with the Regulation S Global Notes and the IAI Global Notes, each a “*Registered Global Note*”; each Registered Global Note and Bearer Global Note being a “*Global Note*”).

Registered Global Notes of a Series will either be:

(a) deposited with a custodian for, and registered in the name of a nominee of, DTC, or

(b) deposited with a: (i) Common Depositary or (ii) if the Registered Notes are to be held under the “new safekeeping structure” for registered global securities that are intended to constitute eligible collateral for Eurosystem monetary policy operations (the (“*MSS*”), a Common Safekeeper, in each case, for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the 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.

The Issuer will inform Euroclear and Clearstream, Luxembourg in writing whether or not a Registered Global Note is intended to be held in a manner that would allow Eurosystem eligibility. Any indication to any person that any Registered Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of a Registered Note will, in the absence of provision to the contrary, be made in the manner provided in Condition 7 to the person shown on the Register as the registered holder of such Registered Global Note as of the relevant Record Date. None of the Issuer or any Agent 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 (including any payments pursuant to Conditions 7.10 and 7.11) or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

*Transfer of Beneficial Interests.* Beneficial 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 the same or another Registered Global Note of the same Series. 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 the applicable Clearing System. Registered Notes (or beneficial interests therein) are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See “Transfer and Selling Restrictions.”

#### **Exchange from Global Notes to Definitive Notes**

The applicable Final Terms of a Tranche of Global Notes (other than a Temporary Bearer Global Note) will specify that beneficial interests in such Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes or Registered Notes (as the case may be) with, where applicable for Bearer Notes, interest coupons and talons attached, in either one or more of the following circumstances: (a) with respect to Permanent Bearer Global Notes, upon not less than 60 days’ written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of a beneficial interest in such Global Note) to the Fiscal Agent as described therein, (b) upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. “*Exchange Event*” means that: (i) an Event of Default exists with respect to the applicable Series, (ii)(A) in the case of Registered 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 such 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, or (B) in the case of Registered Notes registered in the name of a nominee for a Common Depository or Common Safekeeper for Euroclear or Clearstream, Luxembourg and in the case of Bearer Global Notes, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in each such case, no successor clearing system is available, or (iii) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Notes represented by the applicable Global Note in definitive form. Temporary Bearer Global Notes may be exchanged for definitive notes as described in “Bearer Notes – Temporary Bearer Global Notes” above.

In respect of Temporary Bearer Global Notes and Permanent Bearer Global Notes that, in each case, are exchangeable for definitive Bearer Notes otherwise than upon an Exchange Event as aforesaid, the applicable Final Terms will specify that any such definitive Bearer Notes will be issued in denominations equal to, or greater than, €100,000 (or its equivalent in any other currency) and integral multiples thereof.

The Issuer will promptly give notice to the Noteholders of the applicable Series in accordance with Condition 15 if an Exchange Event occurs with respect to a Global Note. In the event of the occurrence of such an Exchange Event with respect to a Global Note, the applicable Clearing System (or the applicable nominee, Common Depository or Common Safekeeper, as the case may be, on their behalf), acting upon the instructions of any holder of a beneficial interest in such Global Note, may give notice to the Fiscal Agent (with respect to Bearer Global Notes) or the Registrar (with respect to

Registered Global Notes) requesting such an exchange and, in the event of the occurrence of an Exchange Event as described in clause (iii) of the definition thereof, the Issuer may give notice to the Fiscal Agent or the Registrar (as the case may be) requesting such an 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 or the Registrar, as the case may be.

Repayment of principal on a Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of the applicable Series and payment in full of the amount due has not been made in accordance with the provisions of such Note, then such Global Note will become void at 8:00 p.m. (London time) on the applicable due date. At the same time holders of beneficial interests in such Global Note credited to their accounts with a Clearing System will become entitled to proceed directly against the Issuer on the basis of statements of account provided by the applicable Clearing System on and subject to the terms of a deed of covenant (the "*Deed of Covenant*") dated February 5, 2014 and executed by the Issuer. In addition, as set out in clause (i) of the definition of Exchange Event above, holders of beneficial interests in such Global Note credited to their accounts with a Clearing System may request that any Paying Agent or, in respect of Registered Notes, the Registrar, deliver, on behalf of the Issuer, to the applicable Clearing System definitive Notes in exchange for their beneficial interest in such Global Note in accordance with the standard operating procedures of such Clearing System.

## **General**

Pursuant to the Agency Agreement, the Fiscal Agent will arrange that, where a further Tranche of Notes is issued that is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche will (to the extent applicable) be assigned a common code, ISIN, CUSIP and/or CINS number that are different from the common code, ISIN, CUSIP and CINS (as applicable) assigned to Notes of any other Tranche of the same Series until at least the expiry of any distribution compliance period (as defined in Regulation S) applicable to the Notes of such further Tranche.

Any reference herein 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(s) specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms that will be completed for each Tranche of Note.*

[Date]

### FINANSBANK A.Ş.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)  
under the US\$1,500,000,000  
Global Medium Term Note Programme (the “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 5 February 2014 [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].<sup>1</sup> Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer’s website (www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx).

*[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. Italics denote directions for completing the Final Terms.]*

*[When completing final terms or adding any other information, consideration should be given as to whether such information constitutes “significant new factors” and consequently triggers the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, then the minimum denomination must be £100,000 or its equivalent in any other currency.]*

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | Finansbank A.Ş.  |
| 2. | (a) Series Number:   | [     ]  |
|    | (b) Tranche Number:  | [     ]  |
|    | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary 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:  | [     ]  |

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<sup>1</sup> Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

4. Aggregate Nominal Amount immediately after issuance of this Tranche:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] *per cent.* of the Aggregate Nominal Amount of the Tranche [plus accrued interest per Calculation Amount for interest accruing from *[insert date]* (if applicable)]
6. (a) Specified Denominations: [ ]
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent).)*
- (Note – where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:*
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [●] [Interest Payment Date [falling in][nearest to] [●]]
- [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year.]*
9. Interest Basis: [[ ] *per cent.* Fixed Rate]
- [[ ] month [[*currency*] LIBOR/EURIBOR/TRYIBOR]]  
+/- [ ] *per cent.* Floating Rate]
- [Zero Coupon]
- (see further particulars in paragraph [14]/[15]/[16] below)*

10. Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] *per cent.* of their nominal amount
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [●], paragraph [14/15] below applies, and, for the period from (and including) [●] up to (and including) the Maturity Date, paragraph [14/15] below applies]/[Not Applicable][●]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Not Applicable]  
[(see further particulars in paragraph [18]/[19]/[20] below)]
13. (a) Status of the Notes: Senior
- (b) Date Board approval for issuance of Notes obtained: [ ] [Not Applicable – No Board (or similar) authorisation is required for this Tranche of Notes]  
  
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (a) Rate(s) of Interest: [ ] *per cent. per annum* payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]  
  
(*Amend appropriately in the case of irregular coupons*)
- (c) Fixed Coupon Amount(s): [( ] per Calculation Amount] [Not Applicable]  
(*Applicable only to Notes issued in definitive form*)  
  
(*For RMB-denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 with CNY0.005 being rounded upwards.”*)

(d) Broken Amount(s): *(Applicable only to Notes issued in definitive form)* [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]

(e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]

(f) Determination Date(s): [[ ] in each year][Not Applicable]

*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)*

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: [ ]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(c) Additional Business Centre(s): [ ]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]

(f) Screen Rate Determination: [Applicable/Not Applicable]

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [[currency] LIBOR/EURIBOR/TRYIBOR].

Relevant Time: [ ]

*(11:00 a.m. in the case of LIBOR and EURIBOR and 11:30 a.m. in the case of TRYIBOR)*

Relevant Financial Centre: [London] [Brussels] [İstanbul]

- Interest Determination Date(s): [ ]

*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and the second İstanbul business day prior to the*



*start of each Interest Period if TRYIBOR)*

- Relevant Screen Page: [      ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page that shows a composite rate or amend the fallback provisions appropriately)*

- (g) ISDA Determination: [Applicable/Not Applicable]

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

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

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

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

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

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

*(See Condition 6 for alternatives)*

16. Zero Coupon Note Provisions [Applicable/Not Applicable]

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

- (a) Accrual Yield: [      ] *per cent. per annum*

- (b) Reference Price: [      ]

- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 8.2: Minimum period: [      ] days  
Maximum period: [      ] days

18. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [ ] per Calculation Amount  
[Set out appropriate variable details, for example reference obligation.]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Agent. For example, Euroclear and Clearstream, Luxembourg require a minimum of 5 business days' notice for a call.)*
19. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Agent. For example, Euroclear and Clearstream, Luxembourg require a minimum of 15 business days' notice for a put.)*
20. Final Redemption Amount: [ ] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 22. Form of Notes:

#### (a) Form:

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice given at any time/only 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 [on not less than 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Definitive Bearer Notes]

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

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes that is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes.)*

[Registered Notes:

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

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

[Definitive Registered Note]

[Definitive IAI Registered Notes]

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

*(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Note(s) and Definitive IAI Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available)*

(b) [New Global Note: [Yes][No]]

23. Additional Financial Centre(s): [Not Applicable/give details]

*(Note that this paragraph relates to the place of payment and not Interest Period end dates, to which paragraph 15(c) relates)*

24. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

#### PROVISIONS APPLICABLE TO RMB NOTES

25. RMB Currency Event: [Applicable/Not Applicable]

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

(a) Party responsible for calculating the Spot Rate [[ ] (the “Calculation Agent”)]

(b) RMB Settlement Centre(s) [[ ]/Not Applicable]

#### THIRD PARTY INFORMATION

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

Signed on behalf of **FINANSBANK 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 the Irish Stock Exchange with effect from [●].] [●] [Not Applicable.]

*(Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

- (b) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

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

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

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

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

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

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

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

*(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. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

*(Need to include a description of any interest, including a conflicting one, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement above.)*

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

### 4. YIELD *(Fixed Rate Notes only)*

Indication of yield: [ ] *per cent. per annum*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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

Details of historic [[currency] LIBOR/EURIBOR] rates can be obtained from [Reuters at ●].

### 6. OPERATIONAL INFORMATION

- |     |  |   |
|-----|--|---|
| (a) | ISIN Code:   | [ ]   |
| (b) | Common Code:   | [ ]   |
| (c) | CUSIP:   | [ ]   |
| (d) | CINS:  | [ ]   |
| (e) | Any clearing system(s) other than DTC Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)]   |
| (f) | Delivery:  | Delivery [against/free of] payment  |
| (g) | Names and addresses of additional Paying Agent(s) (if any):  | [ ]   |
| (h) | Deemed delivery of clearing system notices for the purposes of Condition 15:   | [Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to the relevant clearing system.][Not Applicable]            |
| (i) | Intended to be held in a manner that would allow Eurosystem eligibility:   | [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common |

safekeeper)] *[include this text for registered notes]* 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 [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] *[include this text for registered notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. DISTRIBUTION

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

## TERMS AND CONDITIONS OF THE NOTES

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

“Notes” in these Terms and Conditions (the “Conditions”) means: (a) in relation to any Notes represented by a global Note (a “Global Note”), such Global Note (or any nominal amount thereof of a Specified Denomination), and (b) in relation to any definitive Notes in bearer form (“Bearer Notes”) or registered form (“Registered Notes”), such definitive Notes in bearer or, as the case may be, 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 5 February 2014 and made among the Issuer, The Bank of New York Mellon, London Branch as fiscal and principal paying agent and exchange agent (the “Fiscal Agent” and the “Exchange Agent,” which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “Paying Agents,” which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar (as defined below), the “Transfer Agents,” which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “Registrar,” which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note. 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.

Interest-bearing definitive Bearer Notes have interest coupons (“Coupons”) and, in the case of Notes that, 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 that are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes: (a) that are expressed in their terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects except for their respective Issue Dates and, in certain circumstances, Interest Commencement Dates (unless this is a Zero Coupon Note) and/or Issue Prices, each as specified in the applicable Final Terms.

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 5 February 2014 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 5 February 2014 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”) by any Noteholder that produces evidence satisfactory to 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. 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 these 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 these 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 registered form as specified in the applicable Final Terms and serially numbered in the Specified Currency and the Specified Denomination(s), in each case as 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 its related legislation.

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

Definitive Bearer Notes are issued with Coupons attached unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in these 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 the Depository Trust Company (“DTC”) or its nominee is the registered holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such 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 DTC participants.

For so long as any of the Notes of a Series are represented by a Global Note held on behalf of Euroclear and/or 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 case may be, 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 the case may be, as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except 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 if such person were 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 any such Bearer Global Note or the registered holder of any such Registered Global Note shall be treated by the Issuer and each Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Global Note; *it being understood* that, with respect to any beneficial interests held by or on behalf of Euroclear and/or Clearstream, Luxembourg in a Registered Global Note held by DTC or a nominee thereof, the rules of the preceding paragraph shall apply, and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

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

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such beneficial 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) set out in the applicable Final Terms (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 then-applicable rules and operating procedures of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the applicable Final Terms; *it being understood* that both the transferee and (if less than a transfer of its entire interest) the transferor must immediately thereafter retain beneficial interests in such Registered Global Note in an amount at least equal to the minimum Specified Denomination. 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**

Subject as provided in Condition 2.4, 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) ; *it being understood* that both the transferee and (if less than a transfer of its entire interest) the transferor must immediately thereafter retain beneficial interests in an amount at least equal to the minimum Specified Denomination. 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 (substantially in the form set out in the Agency Agreement, completed as appropriate) 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 additional 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 commercial 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 (or procure the authentication of), and deliver (or procure the delivery of) at its specified office to the specified 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 such transferor) sent by uninsured mail to the transferor; *it being understood* that both the new Registered Note for the transferee and the transferor must be in a Specified Denomination. 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 of the Notes in the Register (as defined in Condition 7.4 below) 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.

### **2.4 Noteholder establishment of clearing of a definitive Registered Note**

For so long as any Notes of a Series are represented by a Registered Global Note, holders of Registered Notes in definitive form of the same Series may (to the extent that they have established settlement through DTC, Euroclear and/or Clearstream, Luxembourg) exchange such definitive Notes for interests in the relevant Registered Global Note of the same Series at any time.

## **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 unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness,
- (b) another Security Interest or (whether or not it includes the giving of a Security Interest) another arrangement is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders, or
- (c) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof that is created pursuant to: (i) a bond, note or other indebtedness whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such bond, note or other indebtedness, a "*Covered Bond*"), or (ii) any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such

Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided* that the aggregate value of assets or revenues subject to any Security Interest created in respect of an issuance of: (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at the time of the incurrence thereof, exceed 15% of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with the Banking Regulatory and Supervisory Agency (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the “BRSA”)) accounting standards).

## **4.2 Interpretation**

For the purposes of these Conditions:

“*Direct Recourse Securities*” means securities (other than Covered Bonds) issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by a Security Interest or having the benefit of a Security Interest are to be discharged principally from such assets or revenues or by direct unsecured recourse to the Issuer; 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 that 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 similar transaction, in each case having a maturity 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 remain 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, that may at any time be required to be obtained or made in the Republic of Turkey (including, without limitation, with the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (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) save to the extent any failure to do so does not and would not have a material adverse effect on: (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer’s ability to perform its obligations under the Notes, the conduct by it of the Permitted Business.

### **5.2 Transactions with Affiliates**

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

### 5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent for distribution to a Noteholder upon such Noteholder's written request to the Fiscal Agent:

- (a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon,
- (b) in the event that the Issuer prepares and publishes consolidated financial statements for the first six months of any financial year of the Issuer in accordance with IFRS, not later than 120 days after the end of that period, English language copies of such financial statements for such six-month period, together with (if prepared) the corresponding financial statements for the corresponding period of the preceding financial year,
- (c) not later than 120 days after the end of each financial year of the Issuer, English language copies of its audited consolidated financial statements for such financial year, prepared in accordance with BRSA accounting standards, together with the corresponding financial statements for the preceding financial year, and all such interim financial statements of the Issuer shall be accompanied by the report of the auditors thereon, and
- (d) not later than 120 days after the end of each of the first three quarters of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such three month period, prepared in accordance with BRSA accounting standards, together with the corresponding 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.

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

### 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.

"*Material Subsidiary*" means at any time a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary that itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15% 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 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, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and

its Subsidiaries relate, the reference to the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer,

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; *provided* that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer's next audited consolidated BRSA financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above, or
- (c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15% 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 15% 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 audited consolidated BRSA 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.

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

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

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

## **6. INTEREST**

The applicable Final Terms indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

### **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 specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.*

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

If the Notes are in definitive form and an applicable Fixed Coupon Amount (and, if applicable, Broken Amount) is specified in the applicable Final Terms, then (except as provided in the applicable Final Terms) the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount; *provided* that payments of interest 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, Broken Amount) is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate(s) of Interest to:

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

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

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

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, for the first Fixed Interest Period, 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: (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) 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

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, for the first Fixed Interest Period, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

“*Fixed Interest Period*” means the period from (and including) an Interest Payment Date (or, for the first Fixed Interest Period, the Interest Commencement Date) to (but excluding) the next (or, for the first Fixed Interest Period, first) Interest Payment Date; and

“*sub-unit*” means: (a) other than in respect of euro, the lowest amount of the relevant currency that is available as legal tender in the country of such currency, and (b) in respect of euro, one cent (or such lower amount of euro that constitutes legal tender in any country of the European Union from time to time).

## 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 identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Time, 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) that falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In this Condition 6.2, “*Interest Period*” means the period from (and including) an Interest Payment Date (or, for the First Interest Period, the



Interest Commencement Date) to (but excluding) the next (or, for the first Interest Period, first) Interest Payment Date.

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

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

In these Conditions, “*Business Day*” means a day that is both:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (if any) specified in the applicable Final Terms, and
- II. 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 Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the “*TARGET 2 System*”) is open.

(b) **Rate of Interest**

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

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i), “*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 of the Issue Date of the first Tranche of the Series of Notes (the “*ISDA Definitions*”) and under which:

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

For the purposes of this sub-paragraph (i), “*Floating Rate*,” “*Calculation Agent*,” “*Floating Rate Option*,” “*Designated Maturity*” and “*Reset Date*” shall 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 (if there is only one quotation on the Relevant Screen Page), or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate *per annum*) for the Reference Rate that appears or appear, as the case may be, on the Relevant Screen Page as of the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, then the highest (or, if there is more than one such highest quotation, then one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, then one only of such quotations) will 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 Condition 6.2(b)(ii)(A), no offered quotation appears or if, in the case of Condition 6.2(b)(ii)(B), fewer than three offered quotations appear, in each case as at the Relevant Time, then the Fiscal Agent shall request each of the Reference Banks (as defined in the Agency Agreement) to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate *per annum*) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks promptly so provide the Fiscal Agent with offered quotations, then the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, then the Rate of Interest for the relevant Interest Period shall be the rate *per annum* that the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately

the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks promptly provide 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 Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any); *provided* that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, then the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(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 amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes that are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note, or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

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

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

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, then the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365),
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, then the actual number of days in the Interest Period divided by 365,
- (C) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, then the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366,
- (D) if “Actual/360” is specified in the applicable Final Terms, then the actual number of days in the Interest Period divided by 360,
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, then the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls,

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls,

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls,

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls,

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30, and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30,

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls,

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls,

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

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

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

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

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

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

where:

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

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

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

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

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

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

(e) **Notification of Rate of Interest and Interest Amounts**

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

(f) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 and Condition 7.9 whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default or fraud) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

**6.3 Accrual of interest**

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, upon due presentation thereof, payment of principal in respect of such Note is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

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

**7. PAYMENTS**

**7.1 Method of payment**

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in any country in which the Specified Currency constitutes legal tender from time to time. Subject to Condition 7.5, no payment of principal, interest or other amounts due in respect of a Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

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

**7.2 Presentation of definitive Bearer Notes and Coupons**

Notwithstanding any other provision of these Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will be made in the manner provided in Condition 7.1 above only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes) should be presented for payment together with all unmaturing 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 unmaturing Coupon

(or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A “*Long Maturity Note*” is a Fixed Rate Note (other than a Fixed Rate Note that 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 Bearer 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 Bearer Global Note 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 Bearer Global Note, where applicable against surrender or, as the case may be, presentation and endorsement, of such Bearer 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 Bearer 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**

Notwithstanding anything else herein to the contrary, 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 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 to be kept at the specified office of the Registrar outside of the United Kingdom (the “*Register*”) at: (a) where in global form and held under the New Safekeeping Structure (“*NSS*”), the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date (in such circumstances, the “*Record Date*”), and (b) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (in such circumstances, the “*Record Date*”). Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank. 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 that processes payments in such Specified Currency.

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

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by any Agent in respect of any payments of principal or interest in respect of the Registered Notes, save as provided in Conditions 7.8 and 7.11.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. Dollars in accordance with the provisions of the Agency Agreement and Condition 7.11.

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 registered holder of a Global Note shall be the only person entitled to receive payments in respect of the 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. No person other than the registered holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

Notwithstanding the foregoing provisions of this Condition 7.5, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. Dollars, then U.S. Dollar payments in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due,
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars, and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.



## **7.6 Payment Day**

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) İstanbul,
  - (ii) in the case of Notes in definitive form only, the relevant place of presentation, and
  - (iii) any Additional Financial Centre specified in the applicable Final Terms,
- (b) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (ii) in relation to any sum payable in euro, a day on which the TARGET 2 System is open, and
- (c) in the case of any payment in respect of a 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 of DTC (with an interest in such Registered Global Note) has elected in accordance with Condition 7.11 to receive any part of such payment in that Specified Currency, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

## **7.7 Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of a Note shall be deemed to include, as applicable:

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

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

## **7.8 RMB account**

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

time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong or any relevant RMB Settlement Centre).

## 7.9 RMB Currency Event

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

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

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

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

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

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

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

“*RMB*” means Renminbi, the currency of the PRC;

“*RMB Currency Event*” means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

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

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

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

Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law, rule or regulation); and

“*Spot Rate*” means the spot CNY/U.S. Dollar exchange rate for the purchase of U.S. Dollars with RMB in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11:00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall, acting reasonably and in good faith, determine the rate taking into consideration all available information that the Calculation Agent deems relevant, including, among other things, pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. Dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

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

- (a) If the Specified Currency set out in the applicable Final Terms is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, a Noteholder (as of, in the case of Registered Notes only, 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 that is to be converted into U.S. Dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.10 and Clause 7 of the Agency Agreement.

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

- (b) Upon receipt of the Lira Amount from the Issuer and by no later than 11:00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall purchase U.S. Dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees, commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the “*Applicable Exchange Rate*”). In no event shall any Agent be liable to any Noteholder, the Issuer or any third party for the conversion rate so used.

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

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

U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

*Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer on the Relevant Payment Date by no later than 11:00 a.m. (London time) in the case of a payment of interest or principal becoming due in order to make any payments to Noteholders on such Relevant Payment Date, including any such payments in U.S. Dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. Dollar amounts) as soon as reasonably practicable thereafter.*

- (d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. Dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with Condition 15 and all payments on the Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 7, irrespective of any USD Payment Election made.
- (e) To give a USD Payment Election:
  - (i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 7.10 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable U.S. Dollar payment is made, and
  - (ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.
- (f) Notwithstanding any other provision in the Conditions to the contrary: (i) all costs of the purchase of U.S. Dollars with the Lira Amount shall be borne *pro rata* by the relevant Noteholders relative to the Notes of such Noteholders the subject of USD Payment Elections, which *pro rata* amount will be deducted from the U.S. Dollar payment made to such Noteholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, commissions or expenses or to indemnify any Noteholder against any difference between the U.S. Dollar amount received by such Noteholder and the portion of the Lira Amount that would have been payable to the Noteholder if it had not made the relevant USD Payment Election and (iii) the Issuer shall not have any liability or other obligation to any Noteholder with respect to the conversion into U.S. Dollars of any amount paid by it to the Fiscal Agent in Turkish Lira or the payment of any U.S. Dollar amount to the applicable Noteholders.

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

In the case of any Notes 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 elects (through the applicable DTC participant and in accordance with normal DTC practice) to receive such payment in such Specified Currency in the manner specified in the Agency Agreement.

## **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 first Tranche of the Notes (which shall, for the avoidance of doubt and for the purposes of this Condition 8.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:
  - (i) pay additional amounts as provided or referred to in Condition 9, and
  - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the applicable prevailing rates on such date on which agreement is reached to issue the first Tranche of the Notes, and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms 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 setting forth a statement of facts showing that the conditions precedent as aforesaid to the right of the Issuer to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

This Condition 8.3 applies to Notes that 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 that can be redeemed and the applicable notice periods.*

If Issuer Call is specified as being applicable in the applicable Final Terms, then the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice 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; *provided* that Registered Notes (or, for Registered

Global Notes, beneficial interests therein) shall be redeemed under this Condition 8.3 only in a Specified Denomination.

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

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

This Condition 8.4 applies to Notes that are subject to redemption prior to the Maturity Date at the option of the Noteholder (or, for Global Notes, the holder of a beneficial interest therein), 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 (or, for Global Notes, the indicated part thereof) on the specified Optional Redemption Date and at the Optional Redemption Amount together (if applicable) with interest accrued to (but excluding) such Optional Redemption Date. Registered Notes (or, for Global Notes, a nominal amount thereof) may be redeemed under this Condition 8.4 in any Specified Denomination.

To exercise the right to require redemption of this Note (or a beneficial interest herein):

- (a) if this Note is in definitive form and held outside of Euroclear, Clearstream, Luxembourg or DTC, then the Noteholder hereof 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 of the Note must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2; if this Note is in definitive bearer form, then 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 held through Euroclear or Clearstream, Luxembourg whilst in definitive form, then the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder’s instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

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

## 8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof,
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount that is or may be less or greater than the Issue Price or that is payable by the Issuer in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount, or
- (c) in the case of a Zero Coupon Note, at an amount (the “*Amortised Face Amount*”) calculated in accordance with the following formula:

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

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

## 8.6 Purchases by the Issuer or its Subsidiaries

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.

## **8.7 Cancellation**

All Notes that 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 reissued or resold.

## **8.8 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to 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(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date that 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 that 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, as the case may be, Coupon by reason of such holder’s having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon,
- (b) presented for payment in the Republic of Turkey,
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive,
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union, or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder of the relevant Note or, as the case may be, Coupon would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.6).



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

In these Conditions:

- (i) the “*Relevant Date*” means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the holder of the relevant Note or, as the case may be, Coupon, by the Issuer in accordance with Condition 15, and
- (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 that 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 10 years (in the case of principal) and five years (in the case of interest) after 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 that would be void pursuant to Condition 7.2.

## **11. EVENTS OF DEFAULT**

### **11.1 Events of Default**

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

- (a) if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest,
- (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,
- (c) if: (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of

its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any Qualifying Guarantee given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period,

- (d) if:
- (i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries,
  - (ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save 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 by a competent authority to be (or becomes) bankrupt or insolvent,
  - (iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness, or
  - (iv) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken or legal proceedings are started: (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (B) shall or propose to make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors,
- in each case in sub-paragraphs (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or one or more Subsidiary(ies) of the Issuer, or
- (e) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

## 11.2 Interpretation

For the purposes of this Condition 11:

*“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,
- (b) any borrowed money, or
- (c) any liability under or in respect of any acceptance or acceptance credit,

the aggregate principal amount of which exceeds US\$50,000,000 (or its equivalent in any currency or currencies); and

“*Qualifying Guarantee*” means any guarantee and/or indemnity of the Issuer or relevant Material Subsidiary that: (a) is in respect of Indebtedness for Borrowed Money that has been defaulted in the manner described in subparagraph (iv) of Condition 11.1(c) and (b) exceeds US\$50,000,000 (or its equivalent in any currency or currencies).

## **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, the Fiscal Agent or, as applicable, the Registrar may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **13. AGENTS**

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Paying Agents are appointed in connection with this Series, then the names of such Paying 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) 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),
- (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 that is not located in a member state of the European Union (if any) that will oblige that Paying Agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, and
- (e) 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.

Any variation, termination, appointment or change of an Agent shall only take effect (other than in the case of insolvency or a Paying Agent ceasing to be a Participating FFI or as otherwise prescribed by the Agency Agreement, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders 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.

For the purposes of this Condition, “*Participating FFI*” means a “foreign financial institution” as defined under the Code that is a “participating foreign financial institution” as from the effective date of withholding on “passthru payments” (as such term is defined pursuant to Sections 1471 through 1474 of the Code and any regulations thereunder or official interpretations thereof).

#### **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 expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes (if any) are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date by which publication has occurred in all required newspapers.

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

So long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or DTC, as applicable, for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of interests in the Notes on such day as specified in the applicable Final Terms after the day on which such notice was given to Euroclear, 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, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). For so long as any Notes are represented by a Global Note, such notice may be given by any holder of an interest in such Note to the Fiscal Agent or the Registrar through Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear, 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 5% 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% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions, 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.

## **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 that 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 any modification shall be notified by the Issuer to the Noteholders and Couponholders as soon as practicable thereafter in accordance with Condition 15.

## **17. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further notes having terms and conditions the same as those of the Notes or the same in all respects save for the amount of the first payment of interest thereon, which may 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, the Agency Agreement and the Deed of Covenant under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person that exists or is available apart from that Act.

## **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 are, and any non-contractual obligations arising out of or in connection with any of them will be, governed by, and construed in accordance with, English law.

### **19.2 Submission to jurisdiction of courts of England**

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the courts of England.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together

referred to as “*Proceedings*”) arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions to the extent allowed by law.

### **19.3 Consent to Enforcement**

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the courts of England according to the provisions of Article 54 of the International Private and Procedure Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedure Law of Turkey (Law No. 5718).

### **19.4 Appointment of Process Agent**

Service of process may be made upon the Issuer at Law Debenture Corporate Services Limited (with a current address of Fifth Floor, 100 Wood Street, London EC2V 7EX, England) in respect of any Proceedings in England and the Issuer undertakes that in the event of such process agent ceasing to maintain a branch in London it will appoint another person as its agent for that purpose.

### **19.5 Other Documents**

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

## **USE OF PROCEEDS**

The Bank will incur various expenses in connection with the issuance of each Tranche of the Notes, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables present, for the periods indicated, selected consolidated financial and other data of the Bank and its subsidiaries as of and for the years ended December 31, 2010, 2011 and 2012 and as of and for the nine months ended September 30, 2012 and 2013. Investors should read this selected consolidated financial information along with BRSA Financial Statements incorporated by reference into this Base Prospectus. The BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with BRSA Principles described in more detail in the accounting principles included in the notes to such BRSA Financial Statements and in “Presentation of Financial and Other Information.”

	For the year ended December 31,			For the nine months ended September 30,	
	2010	2011	2012	2012	2013
<b>Income Statement Data:</b>			(TL thousands)		
Interest income .....	3,908,931	4,648,373	5,719,226	4,251,928	4,326,012
Interest expense .....	(1,552,022)	(2,324,308)	(2,720,107)	(2,088,322)	(1,812,479)
<b>Net interest income .....</b>	<b>2,356,909</b>	<b>2,324,065</b>	<b>2,999,119</b>	<b>2,163,606</b>	<b>2,513,533</b>
Fees and commissions received .....	781,167	1,040,510	1,298,988	976,216	918,129
Fees and commissions paid .....	(108,879)	(155,488)	(184,419)	(145,363)	(107,322)
<b>Net fees and commissions income .....</b>	<b>672,288</b>	<b>885,022</b>	<b>1,114,569</b>	<b>830,853</b>	<b>810,807</b>
Other operating and net trading income .....	(105,571)	(16,999)	182,921	(111,855)	110,309
Dividend income .....	326	254	248	197	147
<b>Net Operating income .....</b>	<b>2,923,952</b>	<b>3,192,342</b>	<b>4,296,857</b>	<b>2,882,801</b>	<b>3,434,796</b>
Other operating expenses .....	(1,473,788)	(1,684,849)	(1,913,916)	(1,364,789)	(1,762,384)
Provision for loan losses and other receivables .....	(274,739)	(325,538)	(978,154)	(577,423)	(801,551)
<b>Profit before taxes .....</b>	<b>1,175,425</b>	<b>1,181,955</b>	<b>1,404,787</b>	<b>940,589</b>	<b>870,861</b>
Gain/loss on equity method .....	-	-	3,375	-	4,990
Tax charge .....	(237,848)	(285,613)	(289,997)	(233,486)	(215,223)
<b>Net profit/(loss) for the year/period .....</b>	<b>937,577</b>	<b>896,342</b>	<b>1,118,165</b>	<b>707,103</b>	<b>660,628</b>



	As of December 31,			As of
	2010	2011	2012	September 30, 2013
<b>Balance Sheet Data:</b>	<i>(TL thousands)</i>			
Cash and balances with the Central Bank .....	2,398,320	2,970,278	5,327,943	7,793,740
Financial assets at fair value through profit or loss (net) .....	1,556,769	1,666,059	975,562	1,319,658
Banks .....	559,178	932,226	205,237	242,545
Money market placements .....	4,977	1,093,506	1,786,785	2,248
Loans and receivables .....	24,851,175	30,266,750	36,437,839	41,772,738
Investment securities (net) .....	7,244,785	6,840,965	7,165,948	7,897,629
Investment in equity participations (net) .....	23,555	24,555	224,055	227,894
Tangible assets (net) .....	378,023	400,373	436,494	513,009
Intangible assets (net) .....	110,129	146,439	180,557	204,188
Current tax asset .....	614	533	-	-
Deferred tax assets .....	29,408	15,956	10,215	3,561
Other assets .....	2,096,991	2,873,193	2,684,935	4,448,768
<b>Total Assets .....</b>	<b>39,253,924</b>	<b>47,230,833</b>	<b>55,435,570</b>	<b>64,425,978</b>
Bank deposits .....	878,834	286,214	1,047,574	1,248,724
Deposits from customers .....	23,131,500	28,707,073	31,657,443	36,160,460
Money market borrowings .....	1,183,507	1,534,321	1,788,874	3,068,484
Funds borrowed .....	4,651,162	3,582,182	3,539,808	4,678,876
Other liabilities and provisions .....	2,867,378	4,110,334	4,167,582	6,364,825
Securities issued (net) .....	-	1,257,898	4,078,313	3,229,403
Subordinated loans .....	1,010,383	1,742,641	1,629,590	1,878,945
Current tax liabilities .....	72,834	77,957	99,035	38,115
Deferred tax liabilities .....	71,859	20,890	15,067	1,529
<b>Total liabilities .....</b>	<b>33,867,457</b>	<b>41,319,510</b>	<b>48,023,286</b>	<b>56,669,361</b>
Paid-in capital .....	2,205,000	2,440,000	2,565,000	2,700,000
Share premium .....	665	714	714	714
Available-for-sale investments reserve, net of tax .....	124,246	(253,716)	196,555	(183,513)
Net gains (losses) on cash flow hedges .....	(21,176)	(6,361)	(10,026)	53,440
Other capital reserves .....	-	-	(38,098)	(38,098)
Profit reserves .....	1,996,424	2,672,370	3,394,920	4,211,534
Retained earnings .....	937,603	898,412	1,153,457	852,787
<b>Total equity attributable to equity holders of the</b>				
<b>Parent Shareholder .....</b>	<b>5,242,762</b>	<b>5,751,419</b>	<b>7,262,522</b>	<b>7,596,864</b>
Minority shares .....	143,705	159,904	149,762	159,753
<b>Total equity .....</b>	<b>5,386,467</b>	<b>5,911,323</b>	<b>7,412,284</b>	<b>7,756,617</b>
<b>Total liabilities and equity .....</b>	<b>39,253,924</b>	<b>47,230,833</b>	<b>55,435,570</b>	<b>64,425,978</b>
<b>Commitments and contingencies .....</b>	<b>21,081,490</b>	<b>32,408,469</b>	<b>32,694,688</b>	<b>33,658,173</b>

	As of (or for the year ended) December 31,			As of (or for the nine months ended) September 30,
	2010	2011	2012	2013
<b>Key Ratios:</b>				
<b>Profitability Ratios:</b>				
Net interest income as a % of average interest-earning assets .....	7.7%	6.2%	6.9%	7.0%
Operating expenses as a % of total average assets <sup>(1)</sup> .....	4.2%	3.9%	3.7%	3.9%
Cost-to-income ratio <sup>(2)</sup> .....	50.4%	52.8%	44.5%	51.3%
Return on average total assets <sup>(3)</sup> .....	2.7%	2.0%	2.1%	1.4%
Return on average shareholders' equity excluding minority interest <sup>(4)</sup> ....	20.5%	16.1%	16.9%	11.7%
<b>Balance Sheet Ratios:</b>				
Deposits to total assets (total deposits including bank deposits) .....	61.2%	61.4%	59.0%	58.1%
Cash loans (net of provisions) to total assets .....	65.8%	65.3%	66.4%	65.2%
<b>Credit Quality:</b>				
Non-performing loans to total gross cash loans.....	6.4%	5.7%	6.5%	6.1%
Loan losses reserves to non-performing loans .....	86.8%	78.2%	85.0%	81.4%
Provision for loan losses to total loans .....	5.6%	4.5%	5.5%	5.0%
<b>Capital Adequacy:</b>				
Tier I regulatory capital/risk-weighted assets and market risk <sup>(5)</sup> .....	13.8%	13.5%	14.5%	13.7%
Total regulatory capital/risk-weighted assets and market risk <sup>(5)</sup> .....	17.3%	17.6%	19.2%	18.0%
Average shareholders' equity excluding minority interest/average total assets <sup>(6)</sup> .....	12.9%	12.7%	12.7%	12.4%
<b>Other Information:</b>				
Average employees during the period .....	11,446	12,111	11,648	13,389
Branches at period end .....	503	522	582	658
<b>Inflation rate/GDP</b>				
Producer price index inflation <sup>(7)</sup> .....	8.9%	13.3%	2.5%	6.2%
Gross Domestic Product (% change).....	9.2%	8.8%	2.3%	3.3%
<b>TL/US\$ Exchange Rate<sup>(8)</sup>:</b>				
Period end.....	1.5460	1.9065	1.7826	2.0342

(1) Represents operating expenses as a percentage of average total assets. Average total assets is computed by adding the total assets at the beginning of the reported period to that at the end of the period and dividing the total by two.

(2) Represents other operating expenses as a percentage of total operating income.

(3) Represents net income (less minority shares of net income) as a percentage of average total assets. Average total assets is computed by adding the total assets at the beginning of the reported period to that at the end of the period and dividing the total by two.

(4) Represents net income (less minority shares of net income) as a percentage of average shareholders' equity excluding minority shares. Average shareholders' equity excluding minority shares is computed by adding the shareholders' equity excluding minority shares at the beginning of the period to that at the end of the period and dividing the total by two.

(5) Capital adequacy ratios calculated in accordance with BRSA guidelines. The 2010 and 2011 capital adequacy ratios are not comparable to the ratio of 2012 as the calculation method changed to Basel II starting on July 1, 2012.

(6) Represents the average total equity attributable to equity holders of the Bank as a percentage of average total assets. Average total assets is computed by adding the total assets at the beginning of the reported period to that at the end of the period and dividing the total by two.

(7) Base year –2003.

(8) Represents the exchange rate used by the Bank in the preparation of its BRSA Financial Statements.

## CAPITALIZATION OF THE GROUP

The following table sets forth the capitalization of the Group as of December 31, 2012 and September 30, 2013. The following financial information has been extracted from the Group's BRSA Financial Statements without material adjustment. This table should be read in conjunction with the BRSA Financial Statements (including the notes thereto) incorporated by reference into this Base Prospectus.

	As of December 31, 2012	As of September 30, 2013
	<i>(TL thousands)</i>	
Paid-in capital .....	2,565,000	2,700,000
Share premium .....	714	714
Available for sale investments reserve, net of tax .....	196,555	(183,513)
Net gains (losses) on cash flow hedges .....	(10,026)	53,440
Minority shares .....	149,762	159,753
Reserves and retained earnings .....	4,510,279	5,026,223
<b>Total equity</b> .....	<b>7,412,284</b>	<b>7,756,617</b>
Funds borrowed (medium/long-term)(1) .....	3,180,979	3,808,755
Debt securities issued (medium/long-term) <sup>(1)</sup> .....	1,288,923	1,860,172
<b>Total capitalization</b> .....	<b>11,882,186</b>	<b>13,425,544</b>

(1) Funds borrowed and debt securities issued do not include short-term (less than one year) borrowed funds and debt securities issued

As of the date hereof, there has been no significant change in total capitalization since September 30, 2013.

## BUSINESS OF THE GROUP

### General

The Bank is a Turkish private commercial bank that provides banking services to retail, corporate, commercial and SME customers through a network of 658 branches, as of September 30, 2013, operating in major cities throughout Turkey. As of September 30, 2013, according to the most recent statistics published by the Banks Association of Turkey, the Bank was the fifth largest private bank in Turkey in terms of total assets and equity. The Bank is a subsidiary of NBG. NBG, together with its subsidiaries and affiliates, is one of the leading financial groups in Greece and has a material presence internationally, particularly in southeastern Europe and the eastern Mediterranean. See “Share Capital and Ownership – Ownership – National Bank of Greece.”

The Bank’s branch network consisted of 645 full-service branches, four corporate and commercial branches, five satellite and Easy Credit branches and two retail-only branches located in 71 commercial centers in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya, in each case as of September 30, 2013. The Bank also has one branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain. The Group, through its affiliates and subsidiaries, also undertakes leasing, factoring, insurance and investment banking activities. As of September 30, 2013, the Group had total assets of TL 64,426.0 million, loans and receivables of TL 41,990.2 million and total equity of TL 7,756.6 million.

Since entering the Turkish retail banking market in 1995, the Bank has grown its branch network significantly. Most of the Bank’s branches are dedicated to retail and corporate customers and are located primarily in upper-middle income residential areas. The Bank has developed its branches to sell the full range of the Bank’s retail financial products. In line with its growth strategy, the Bank currently plans, subject to market conditions, to open up to 92 branches in 2013 (including 76 new branches opened in 2013 through September 30, 2013) and up to 25 new branches in 2014. The Bank also has invested heavily in alternative delivery channels such as ATMs, internet banking and its call center. As of September 30, 2013, the Bank’s ATM network included over 2,650 units. The Bank’s call center, through which customers can contact the Bank’s operators for almost all of their banking needs (either by telephone or on-line and in real-time through the internet), is operational 24 hours a day, seven days a week.

The Bank’s goal is to strengthen its position among the leading private full-service banks in Turkey even as it expects the Turkish banking sector to continue to grow. The expansion of the Group’s banking operations has contributed to the growth in customer deposits, which amounted to 56.1% of total assets as of September 30, 2013. The Bank’s management expects that retail banking operations will achieve an even greater importance over the coming years, particularly in light of its plans to continue the expansion of its branch network. Internationally, the Bank intends to continue to support its branch in Bahrain. In order to fund longer maturities in its lending operation, the Bank intends to increase its medium-term borrowings from banks and the international capital markets. The Bank will continue to focus on borrowing in foreign currencies from international markets and on lending in foreign currencies and foreign currency-indexed loans in Turkey.

The Bank has three main business segments, namely retail banking, SME banking and corporate and commercial banking:

- *Retail Banking (including Small Business Banking).* The Bank’s retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits, investments and insurance products. The Bank’s offerings to retail customers are divided into three main further sub-groups: private banking, which serves individuals with assets under management exceeding TL 750,000 through customized service offerings; the affluent segment, which serves individuals with assets under management between TL 50,000 and TL 750,000 offering features such as dedicated relationship managers and a diverse set of banking and non-banking services and benefits; and the mass market segment with more standardized offerings. Retail banking has been one of the principal drivers of the Bank’s growth in recent years and is expected to continue to maintain a central role in the Bank’s strategy. The Bank had approximately 12.0 million retail banking customers and the Group had retail loans (including mortgage, credit card and consumer loans) of TL 24,208.1 million as of September 30, 2013.
- *SME Banking.* The Bank’s SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The Bank’s SME

banking operations are divided into the medium-enterprises department (the Bank includes a customer in this segment when its annual turnover is between TL 2 million and TL 10 million) and a small business department (the Bank includes a customer in this segment when its annual turnover is up to TL 2 million). The Bank's SME banking operations had total loans and receivables of TL 7,529.9 million as of September 30, 2013.

- *Corporate and Commercial Banking.* The Bank's corporate and commercial banking activities include trade finance, traditional lending, project finance, cash management, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. Corporate and commercial banking was the Bank's original focus area and now serves a large number and wide range of customers. The Group's corporate and commercial banking operations had total loans and receivables of TL 9,747.5 million as of September 30, 2013.

## History

The Bank was founded in İstanbul on September 23, 1987 and its primary focus was originally to provide wholesale banking services to large Turkish corporations, in particular the financing of trade activities and working capital and the issuance of guarantees to and on behalf of large Turkish corporations. The Bank also provided investment banking services, concentrating initially on the sale and trading of Treasury bills and debt and equity instruments and corporate finance advisory activities. Since 1987, the Bank has significantly expanded the range of services that it offers to its corporate customers located in Turkey and abroad. As a provider of wholesale banking services, the Bank initially operated through four offices (two in İstanbul and one each in Ankara and İzmir) until 1995.

In 1995, the Bank made a strategic decision to expand its branch network, and to enter the retail banking sector, concentrating on upper-middle income individuals. At the same time, corporate banking activities were expanded geographically with the establishment of new branches in additional commercial centers. In January 1997, the Bank's investment banking activities were transferred, in accordance with CMB regulations, to Finans Invest, a subsidiary established exclusively for that purpose.

In June 1999, the Turkish and Bahraini banking authorities granted a banking license to allow the Bank to establish a branch office in Manama, Bahrain. This branch office, which commenced operations in July 1999, allows the Bank to capitalize on the tax advantages afforded by Bahrain and provides the Bank with greater access to countries in the Persian Gulf region.

NBG acquired 46.0% of the Bank's ordinary shares and 100.0% of its founder shares in August 2006. In January 2007, NBG acquired a further 43.4% of the Bank's publicly held outstanding ordinary shares through a tender offered required by its initial acquisition. In April 2007, following an agreement signed in January of the same year, NBG disposed of 5.0% of the Bank's ordinary shares to the International Finance Corporation (the "IFC"). See also "Share Capital and Ownership – Ownership – Agreements between NBG and the IFC" for information about NBG's agreements with the IFC. During 2007, NBG acquired a further 0.5% of the outstanding share capital of the Bank.

In February 2009, the Bank disposed of Finansbank (Malta) Ltd. (subsequently renamed NBG Bank Malta Limited) to the NBG Group. When owned by the Bank, this company handled various international business transactions for Turkish corporations.

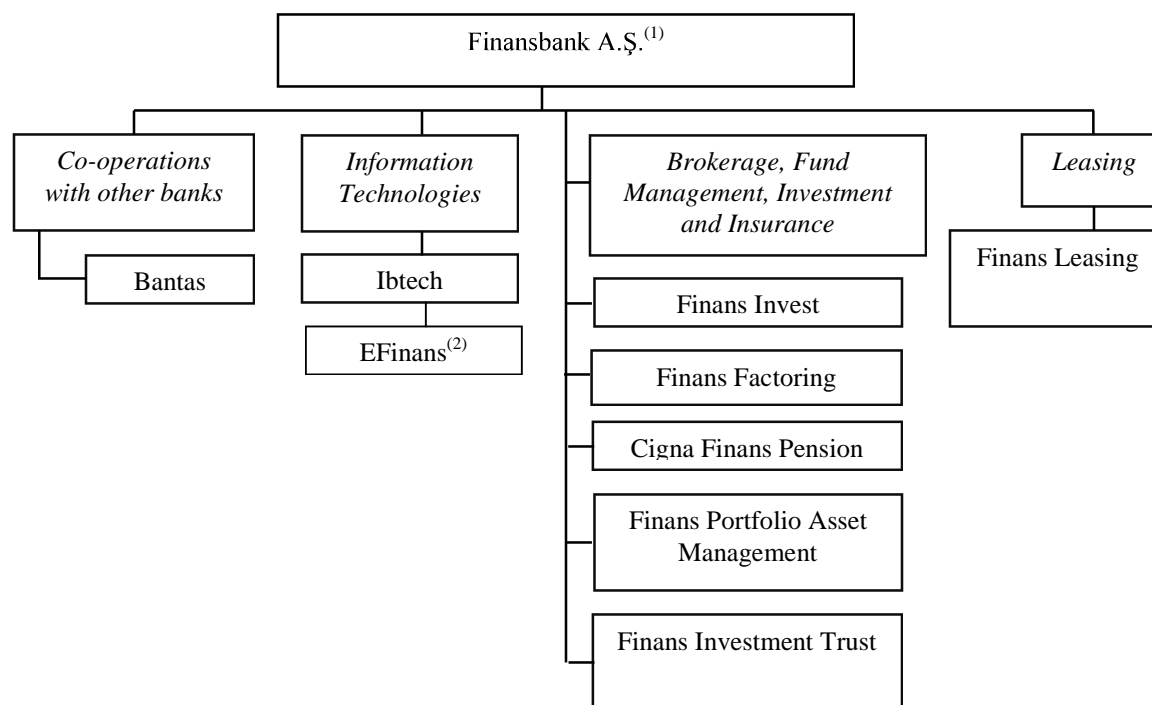
On November 9, 2012, the Bank disposed of 51.0% of Finans Pension to Cigna for TL 202.9 million and also established an earn-out structure of preference dividends payable to the Bank from Cigna Finans Pension. As of the date of this Base Prospectus, the Bank holds 49.0% of the shares of Cigna Finans Pension. As a result of this disposal, Cigna Finans Pension is accounted for under the equity method. In 2012, the Bank and Cigna Finans Pension signed an exclusive agency agreement for a duration of 15 years that covers the Bank's distribution of Cigna Finans Pension's life insurance and pension products.

On November 16, 2012, the Bank executed a share purchase agreement with Banque PSA Finance SA for the disposal of 100.0% of the shares of Finans Consumer Finance for TL 4.3 million. Finans Consumer Finance was established in 2008 and its primary focus was to provide loans to consumers for the purchase of certain goods and services from merchants with whom the Company has a partnership agreement.

The Bank's ordinary shares were listed for the first time on the Borsa İstanbul on February 3, 1990. The Bank undertook a secondary public offering on June 3, 1998 when Global Depositary Receipts, representing its ordinary shares, were listed on the London Stock Exchange. As of September 30, 2013, 94.8% of the Bank's shares were owned by entities within the NBG Group (including all of the founder shares), 5.0% of the Bank's shares were owned by the IFC and 0.2% of the Bank's shares were traded on the Borsa İstanbul.

## Corporate Structure

The following chart shows the subsidiaries and associated companies of the Group as of the date of this Base Prospectus.



(1) The Bank operates a foreign branch office in Manama, Bahrain.

(2) EFinans was established in 2013 to provide e-invoicing service.

## Retail Banking

### Overview

The Bank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investment management, and insurance products. Income from the Bank's retail banking activities includes net interest income from loans and receivables to/from retail customers and deposits collected from individuals, as well as fee and commission income received from loan underwriting, asset management services, life insurance and property and casualty insurance products, credit and debit card-related services, settlements and cash-related transactions with or for individuals. Retail banking has been one of the principal drivers of the Bank's growth in recent years and is expected to continue to maintain a central role in the Bank's strategy. As of September 30, 2013, the Bank had approximately 12.0 million retail banking customers compared to approximately 11.0 million as of December 31, 2012, and had total outstanding

retail loans (including mortgage, credit card and consumer loans) of TL 24,208.1 million compared to TL 23,235.6 million as of December 31, 2012.

Since entering the Turkish retail banking market in 1995, the Bank has developed a network of modern branches that are designed to sell a full range of the Bank's financial products dedicated exclusively to retail and corporate customers. The Bank offers a full range of retail and corporate banking and related financial services through 645 of its branches, as of September 30, 2013. The Bank's policy is to make all of its retail products available at all of its branches (excluding four corporate branches, one branch in Atatürk International Airport Free Track Zone and one branch in Bahrain) and have a retail customer representative or relationship manager in each branch. The branch network covered a geography representing over 98% of Turkish banking volumes in September 2013, and according to the Banks Association of Turkey, is the most productive branch network in the market in terms of branch retail loan volumes with over TL 37.4 million of retail loans per retail branch as of September 30, 2013, even though it is the youngest network among peers with an average branch age of 6.8 years. The Bank has made a strategic decision to, subject to market conditions, expand its retail branch network by up to 92 locations during 2013 (including 76 new branches opened in 2013 through September 30, 2013) and up to 25 new branches in 2014, and to continue to support the branch network with alternative distribution channels and alternative sales channels. The continuous expansion of the retail branch network has allowed the Bank to organically grow its customer base. See also "– Branches."

Currently, the Bank's goal for its retail banking operations is to become the bank of choice for individuals, providing fast, efficient and relationship- oriented services, addressing customer needs and differentiating its offerings so as to steer away from spread compression in the market. The Bank both seeks to broaden its customer base and to improve its profitability per customer with a view to continuing the growth of its retail banking operations. In doing so, the key pillars of the Bank's retail banking strategy are a dynamic sales network consisting of high productivity branches and what the Bank believes are market-leading alternative sales and distribution channels, a marketing engine continuously deploying innovative products and campaigns, unparalleled customer and product analytics boosting both customer and product profitability, and state of the art risk management supporting healthy business growth. The Bank targets a balanced retail lending business mix with higher exposure to higher margin operations such as consumer lending and credit cards and a more limited presence in less profitable, highly competitive businesses such as car loans. The Bank also intends to continue to develop its mortgage operations and maintain a top four position in the market, which will help to balance its retail lending portfolio with a well-collateralized and stable product.

In the first nine months of 2013, the Bank concentrated its efforts on creating new gold-based investment products for retail customers and sales of Turkish Lira bond issuances to retail customers. With products such as "gold accumulation account," "gold-indexed deposit account" and "gold collection day," which each provide specific methods to save and invest in gold or gold-indexed products, the Bank had 236,137 gold account customers as of September 30, 2013 compared to 88,781 gold account customers as of December 31, 2012, increasing the volume of the Bank's gold reserves by approximately 300% during the period.

The Bank believes that Enpara.com was one of the most important retail products it offered in 2012 and 2013. Enpara.com is an Internet banking product, marketed towards young professionals, who may not have the time to go to branches. Since its introduction in October 2012, Enpara.com has attracted over 100,000 customers with a deposit volume of over TL 3.0 billion as of September 30, 2013. Enpara.com customers are offered better deposit rates than branch customers due to the absence of branch costs.

The Bank's retail banking operations are divided into two main groups: Consumer Banking and Credit Cards. Consumer Banking operations are further divided into three sub-groups, namely private banking, affluent banking and mass market banking:

- Private banking: This segment serves customers with assets under management exceeding TL 500,000 at the Bank. These customers are served through dedicated relationship managers in branches, and Private Banking centers across the country for their sophisticated financial services needs. They are provided with leading investment advisory services, advanced investment products and customized service offerings. The [www.finansbankprivate.com.tr](http://www.finansbankprivate.com.tr) website keeps the Bank's Private Banking customers informed and updated about the latest products and services, campaigns and events, while also providing art related news and travel suggestions.

- **Affluent banking:** This segment, branded as “Xclusive Banking”, was launched at the beginning of 2009, and serves customers with assets under management between TL 50,000 and TL 500,000. The service offering to affluent banking customers is centered on dedicated relationship managers in branches supported by dedicated agents at the call center, offering a diverse and exhaustive set of banking and non-banking benefits. Given the focus of the segment towards higher income customers, the customers are provided with daily investment advisory and investment products targeted to the segment. For example, several capital guaranteed funds launched since 2010 and have mostly targeted these segment customers and have increased the assets under management of the segment. In addition, the Bank believes these funds also have improved customer loyalty. The Bank is the only bank to have established a Retail Sector Banking Unit focused on developing banking relationships with medical doctors. Within this initiative, the Bank developed the “Doctor Fund” targeting only doctors and dentists. The Bank plans to continue offering specialized retail banking solutions services to additional categories of professional groups. In 2012 and the first nine months of 2013, many new customers were acquired through agreements and campaigns conducted by contacting various associations and clubs with affluent segment customer potential. The Bank also offers non-banking benefits and services to its high-income segment customers through ClubFinans Services Management.
- **Mass Market Banking:** This segment is served through a more standardized product set and packaged offerings. Customer acquisition in the mass market segment is mostly executed through consumer loan, credit card, mortgage sales and salary account relations. Although cross-sales at the point of acquisition are a key part of customer profitability improvement, strong central customer analytics driven portfolio management activities further boost customer profitability and retention. Such activities are executed by central outbound and inbound call center teams and other alternative distribution channels such as Internet and mobile banking in addition to the branch sales efforts. Moreover, packaged offers designed for mass market customers help to improve additional product penetration to overall customer portfolio. Sub-segment programs such as the retiree package and the salary-account package serve the same purpose while creating a good platform for customer communication. As of September 30, 2013 the mass market segment had 1,746 customer representatives 647 retail and five satellite and Easy Credit branches.

The Bank offers loans, deposits and other services to its retail customers as described in the following sections.

#### *Loans*

The following table sets forth the Bank’s retail loans per category as of December 31, 2010, 2011 and 2012 and September 30, 2013.

	<b>As of December 31,</b>			<b>As of</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>September 30,</b>
				<b>2013</b>
	<i>(TL thousands)</i>			
Mortgages .....	6,425,459	6,152,649	6,737,442	6,867,762
Credit card loans .....	6,392,057	8,130,073	10,865,094	11,113,674
Personal need loans.....	2,593,043	3,847,159	4,797,417	5,376,158
Auto loans .....	225,330	151,048	103,296	78,646
Overdrafts and other loans .....	334,835	602,806	732,341	771,813
<b>Total retail loans .....</b>	<b>15,970,724</b>	<b>18,883,735</b>	<b>23,235,590</b>	<b>24,208,053</b>

**Mortgages:** The Bank offers a large mortgage product portfolio covering mortgage loans of up to 180 months with an average size of TL 72,000 as of September 30, 2013. The Bank has pioneered a number of mortgage products in the Turkish market, including low installment mortgages, no commission mortgages and investment mortgages, and the Bank was also the first bank in Turkey to initiate partnerships with real estate developers for mortgage sales during the construction phase.

As of September 30, 2013, the Bank had outstanding mortgage loans of TL 6,867.8 million, which comprised 28.4% of the Bank’s total retail loan portfolio. Each of the Bank’s mortgage loans is secured with collateral that is always required



to have a value in excess of the loan. The Bank had a 7.0% market share of the retail mortgage loan market in Turkey as of September 30, 2013, according to statistics published by the BRSA.

**Credit Card Loans:** The Bank issues credit cards under the CardFinans brand. The Bank earns interest income on outstanding credit balances, transaction commissions from merchants, cash withdrawal fees, annual membership fees from cardholders and other service-based fees such as insurance fees and payment fees. As of September 30, 2013, the number of retail credit cards issued by the Bank exceeded 5.4 million and represented 9.3% of the total Turkish retail credit card market, according to statistics published by the BRSA. The Bank's total retail credit card loan portfolio was TL 11,113.7 million and represented 45.9% of the Bank's total retail loan portfolio as of September 30, 2013. For additional information on the Bank's credit card business, see "-Credit Cards" below.

**Personal Need Loans:** Personal need loans are used for a wide spectrum of needs ranging from instant cash needs, home refurbishments, financing vacations and education fees. The Bank offers personal need loans through its retail branches and telesales channel. Customers can also apply for personal need loans using the Bank's SMS-based pre-assessment service that has been specifically developed for this product.

The Bank's personal need loan portfolio was TL 5,376.2 million as of September 30, 2013, an increase of 12.1% from December 31, 2012. The Bank's market share in personal need loans in Turkey was 6.5% as of September 30, 2013 according to statistics published by the BRSA.

**Auto Loans:** The Bank offers its retail banking customers 100%-collateralized term loans to finance the acquisition of automobiles, with the Bank providing car loans of up to 90% of the automobile's value for new vehicle purchases and up to 80% of the automobile's value for used vehicle purchases. As of September 30, 2013, the Bank had outstanding auto loans of TL 78.6 million, representing 0.3% of the Bank's total retail loan portfolio. The Bank's market share in Turkey for auto loans as of September 30, 2013 was 1.0% according to statistics published by the BRSA.

**Overdrafts and other Loans:** The Bank provides overdraft loans as an additional feature provided to debit card holders permitting them to access cash instantly and easily. The Bank believes that strong marketing support and central analytics contributed to its 15.1% market share in overdraft products as of September 30, 2013, according to statistics published by the BRSA. Total outstanding overdraft and other loans as of September 30, 2013 were TL 771.8 million, representing 3.2% of the Bank's total retail loan portfolio.

#### *Retail Deposits and Investment Products*

The Bank offers demand, time deposits and investment products to its customers, and provides brokerage services and deals in treasury bills and equities on behalf of its customers. The Bank also offers its customers the opportunity to invest in mutual funds managed by Finans Portfolio Asset Management. Additionally, the Group, through its joint venture Finans Pension, offers life insurance and retirement income services to groups and individuals as well as bancassurance products.

**Retail Deposits:** The following table sets forth the Bank's retail deposits per category as of December 31, 2010, 2011 and 2012 and September 30, 2013.

	<b>As of December 31,</b>			<b>As of</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>September 30,</b>
				<b>2013</b>
	<i>(TL thousands)</i>			
Demand deposits.....	842,968	845,513	1,216,545	1,694,170
Time deposits.....	13,161,197	18,609,245	17,371,146	20,064,574
<b>Total retail (individual) deposits .....</b>	<b>14,004,165</b>	<b>19,454,758</b>	<b>18,587,691</b>	<b>21,758,744</b>

The Bank held TL 1,694.2 million in retail customer demand deposit accounts maintained in Turkish Lira and foreign currencies as of September 30, 2013. Time deposits in Turkey have traditionally been placed for relatively short periods of time in light of the inflationary environment, though this is changing due to improved macro-economic conditions. The Bank's total retail customer time deposits as of September 30, 2013 amounted to TL 20,064.6 million. The Bank's market share in total retail deposits was 4.1% as of September 30, 2013, according to statistics published by the BRSA.

**Investment products:** Mutual funds have been a growing focus area for the Bank's retail banking business in a low interest rate environment due to higher returns compared to deposits, and more importantly, the fact that customers search for alternative investment products in a low-interest environment. The Group also offers its customers pension plans. In addition, the Group offers its customers a wide range of insurance products such as life insurance, payment protection, health insurance, auto insurance, home insurance and travel insurance. The Group expects bancassurance to continue to be one of the key contributors to increasing profitability in the upcoming years.

### *Private Banking*

The Bank's Private Banking Department helps customers build and preserve their financial wealth through tailored investment strategies and offers its customers time deposits, mutual funds, emerging market bonds, domestic and international equities, government bonds, corporate bonds, currency exchange, forward contracts, futures, options and structured products. The Private Banking department also creates and implements mid-to long-term asset allocation within the context of each customer's particular risk tolerance. The Private Banking department serves investors with assets of more than TL 500,000 or the Turkish Lira-equivalent in one or more foreign currencies. The Private Banking department supports all of The Bank's business lines (Retail, Corporate and Commercial) in the Bank within a matrix structure and cooperates within Finans Portfolio Asset Management and Finans Invest to execute and advise clients' transactions. As of the date of this Base Prospectus, the Bank's Private Banking provides investment products and asset management services through nine private banking centers and 70 private banking corners located in the Bank's branches in all major cities throughout Turkey.

### *Credit Cards*

The Bank offers a diverse range of credit cards under the umbrella brand name of "CardFinans", which is the main credit card brand of the Bank. The Bank believes that CardFinans appeals to different customer segments with its Classic, Gold, Platinum, ClubFinans (premium segment), GO (university segment) and VadeKart (commercial segment) brands as well as co-branded and affinity cards. CardFinans offers features such as installments, discounts and a customer loyalty program called "MoneyPoints" that provides cardholders the opportunity to earn and redeem points while shopping at vendor members. MoneyPoints can also be used to purchase airline tickets from any airline desired or to top up mobile phone minutes. The CardFinans SME Business Card addresses the particular needs of SMEs by offering an installment credit facility and a post-installment feature. VadeKart was launched in February 2010 with its postdating transaction, transaction installment, postdating statement, express limit and authorized card user group features to strengthen the position of CardFinans in SME business services. The Bank launched Fix Card in May 2010 which offers installment, discount and MoneyPoint features with no annual fee charge. The Bank had issued 1,406,133 Fix Cards as of September 30, 2013. The Bank re-launched Fix Card in August 2012 as a contactless dual card which has credit card and debit card features in one card. As a pioneer in the Turkish credit card market, Fix Card Contactless had attracted 98,752 customers as of September 30, 2013 and (as of the date of this Base Prospectus) remains the only dual credit and debit card in the market.

The Group's total credit card loan portfolio was TL 11,113.7 million and represented 26.5% of the Group's loan and other receivables as of September 30, 2013. The Group's net fees and commissions from credit card operations amounted to TL 500.0 million for the nine months ended September 30, 2013, or 14.6% of the Group's total operating income for that period (TL 657.5 million and 15.3% for the year ended December 31, 2012). In addition, interest earned from credit card balances totaled TL 931.7 million for the nine months ended September 30, 2013, or 37.1%, of the Group's total net interest income for the same period (TL 1,215.8 million and 40.5% for the year ended December 31, 2012).

The following table sets forth the market shares of CardFinans in terms of balances outstanding and total sales for the periods indicated.

	<b>For the year ended December 31,</b>			<b>For the nine months ended September 30,</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Outstanding balance .....	14.1%	14.1%	14.5%	12.2%
Total sales .....	9.7%	10.6%	9.6%	9.3%

Source: The Banks Association of Turkey.

As of September 30, 2013, the total number of credit cards issued by the Bank was 5.4 million and represented 9.3% of the total Turkish credit card market according to statistics published by the Turkish Interbank Card Center (“BKM”), and the number of member merchants was 199,645. As of September 30, 2013, within the Turkish credit card market, the Bank was the second largest Visa card issuer in terms of the number of cards issued, according to statistics published by BKM. As of September 30, 2013, the number of CardFinans commercial credit cards in issue was 397,979 and represented 18.6% of the total Turkish commercial credit card market. As of September 30, 2013, the number of point of sales (“POS”) terminals of CardFinans was 240,543 and represented a 8.3% market share, according to statistics published by the BKM.

### **SME Banking Department**

The Bank’s SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The goal of the SME Banking Department is to achieve sustainable and profitable growth by determining customer needs and providing quick and tailor-made solutions. The Bank’s SME banking operations, which are divided into a medium-enterprises department and a small business department, had total loans and receivables of TL 7,529.9 million as of September 30, 2013.

#### *Medium Enterprises Department*

A customer is included in this segment when its annual turnover is between TL 2 million and TL 10 million. The Bank had over 26,000 customers in this segment as of September 30, 2013, which it served through 16 regional offices, 269 branches and with 427 portfolio managers. The branches are full service branches where retail and SME customers are served together.

For medium-enterprise SME customers, the Bank offers typical banking products and services but has a particular focus on loan facilities predominantly in Turkish Lira, U.S. Dollars and euro. Turkish Lira loans are generally short-term in nature, usually with maturities ranging from overnight to 365 days, and are principally for working capital financing; however, the Bank also extends medium-term loans with maturities between 365 and 730 days mainly to finance working capital requirements. The Bank has introduced “Credits in the Form of Installments” that are in essence Turkish Lira- or foreign currency-indexed installment loans. In addition, the Bank provides these customers with foreign currency, principally in connection with financing their exports from Turkey.

#### *Small-Business Banking Department*

As of September 30, 2013, the Bank had 904,845 small business customers (with annual turnover of less than TL 2 million) with at least one product, 1,035 employees and operations through 581 of the Bank’s branches.

In addition to traditional banking products and services, the Bank offers an extensive range of products and services to create financial resources for small business enterprises’ specific needs. The Bank’s management believes that, during the history of the Bank’s small business banking operations, the Bank has become recognized for its innovative products and services. For example, the “SME Money in the Pocket” service, launched in 2012, enables every small business owner, even if not a current customer of the Bank, to apply for a loan by sending a text message from a mobile phone and to learn the outcome of the application process promptly. With this service, small business owners can borrow and use up to TL 50,000 on the same day. Also, the Bank’s “POS Opportunity Package” offers desktop and mobile POS solutions backed with supporting banking operations, cash flow and commercial services. With this package, member SMEs enjoy certain fee exemptions and attractive commission rates.

In March 2010, the Bank became the first Turkish bank to sign a cooperation agreement with the European Investment Fund (“EIF”). The EIF and the Bank have signed two guarantee agreements under the Competitiveness and Innovation Framework Programme (“CIP”), which agreements aim to help provide enhanced access to financing for Turkish start-ups and small business enterprises. Apart from EIF collateral, the Bank also offers flexible payment options, longer repayment periods and suitable interest rates and discounts in some other products to customers that utilize loans under the CIP umbrella. The guarantee has been extended twice and the total funds allocated to the Bank by the EIF amounted to TL 1,510 billion as of September 30, 2013.

## Corporate and Commercial Banking

### *Overview*

Products and services provided by the Bank's Corporate and Commercial Banking Department include trade finance, corporate and commercial lending, project finance, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. The primary sources of income of the Bank's Corporate and Commercial Banking Department consist of interest income attributable to corporate and commercial loans, as well as commission income from letters of credit and guarantees. The Group's corporate and commercial banking operations had total loans and receivables of TL 9,747.5 million as of September 30, 2013.

### *Corporate Banking*

The Bank serves its corporate customers, which include large business groups and multinational companies in Turkey, via four branches located in İstanbul and Ankara and sub-branches in Bursa, İzmir, Antalya and Adana.

Since its establishment, the Corporate Banking Department has created a strong customer base by developing customer specific solutions. Corporate banking works in collaboration with the Bank's other business units to provide high quality services not only for corporate clients, but also for their partners, employees, dealers and suppliers, aiming to deliver a high level of customer satisfaction throughout the value chain.

Corporate banking attempts to acquire new customers for different business segments and thereby create synergistic benefits within the Bank. Increasing the profitability of the Corporate Banking Department remains a primary goal of the Bank in the competitive Turkish market. In order to increase profitability, the Bank's Corporate Banking intends to increase non-risk income, penetrate further into the existing customer base and create additional profit for other business segments.

As of September 30, 2013, the corporate banking department had a total credit and non-credit customer base of over 5,859 companies, of which 1,123 companies had credit limits.

### *Commercial Banking*

Commercial banking serves customers that have an annual turnover between TL 10 million and TL 300 million. The numbers of active customers in this segment exceeded 10,000 as of September 30, 2013. The goal of commercial banking is to achieve sustainable and profitable growth by understanding customer needs and providing tailor-made solutions.

As of September 30, 2013, the Bank's commercial banking served its customers through 16 regional offices, 71 branches and 187 portfolio managers. The branches are full service branches in which retail and commercial customers are served together.

In August 2013, the commercial banking organization was restructured in order to provide a holistic approach to its customers and to improve relationship banking, thereby increasing opportunities for cross-selling and expanding the existing trade network. To support this strategy, business lines were structured to operate under corporate and commercial banking relationships. The Commercial Banking Department focuses on increasing the number of active customers, sustainable growth by balancing wallet share/loan share and demand deposit volume. The group provides cash management solutions and trade finance products insurance services and coordinates subsidiary transactions to expand its business with customers and increase its risk-free income.

### *Corporate and Commercial Banking Products and Services*

*Loans and Receivables and Non-cash Loans.* The Bank offers loan facilities predominantly in Turkish Lira, U.S. Dollars and euro. Turkish Lira loans are generally short-term in nature, usually with maturities ranging from overnight to 365 days, and are principally for working capital financing. However, the Bank also extends medium-term loans with maturities between 365 and 730 days mainly to finance working capital requirements. The Bank has also introduced "Commercial Credits in the Form of Installments." These commercial credits are in essence Turkish Lira or foreign currency-indexed installment loans. Moreover, the Bank provides foreign currency principally for financing exports from Turkey. The Bank

also extends longer term facilities to corporate customers in Turkey for industrial and manufacturing investment purposes in different sectors and project financing. In relation to both its domestic and foreign operations, the Bank provides non-cash facilities to various industries through letters of guarantee, bid bonds and foreign trade non-cash products. By using conventional banking products as well as cash management products and by applying competitive pricing, the Bank aims to increase its market share in cash and non-cash loans.

As a major foreign currency generating industry, the contracting sector has been one of the focus sectors of corporate and commercial banking since the Bank's establishment. As of September 30, 2013, loans to the contracting industry represented 11.3% of the Bank's total corporate and commercial loan portfolio, followed by textile and fabrics represented 8.7%, food, beverage and tobacco represented 8.2% and iron and steel represented 5.8%.

***Structured Finance and Syndications.*** The Bank's Structured Finance and Syndication Unit has taken an active role mainly as lead arranger in financing many important projects, including privatizations, acquisitions and infrastructure projects, which have contributed to the growth of the Turkish economy. The Structured Finance and Syndication Unit prepares loan proposals and manages the Credit Committee approval process. Once loans are approved, legal documentation and disbursement phases as well as the bank to bank relations regarding corporate loans are managed by this unit. Throughout the maturity of all loans under its responsibility, the Structured Finance and Syndication Unit performs the initial evaluation of all waiver/amendment requests, before passing them along to the Credits Department should any formal approval be required.

***Cash Management.*** In addition to providing credit facilities, the Bank provides cash management services to its corporate, commercial, and retail customers. The Bank regards cash management as an important part of its overall business and as the most important element in its strategy to increase demand deposits and service- related revenues. Cash management services include direct debiting for payment of invoices, supplier finance systems, utility bills, social security, tax payments, cash in transit (CIT) services and providing foreign exchange transfers and remittance services as well as cash management solutions tailored for individual customers.

In line with the Bank's strategy to acquire new customers, deepen existing customer relationships, develop synergies between the Bank's business units and keep customer cash flows within the Bank, the Cash Management Unit expanded its Direct Debit System (DDS) dealer network by 50% and tripled transaction volumes in 2012. To better achieve the goal of serving customers with dynamic and creative solutions, the Bank reorganized its Marketing, Sales and Product Development units under the Investment Banking Department in July 2012. As of September 30, 2013, the Bank provides online banking and cash management services to 220,000 companies and more than 960,000 individual customers. As of the date of this Base Prospectus, the Bank is one of the banks in Turkey authorized to collect: (a) social security contributions on behalf of the government from domestic corporate entities and businesses and/or (b) taxes on behalf of the government from corporate customers.

***Foreign Trade and Trade Finance.*** The Bank's trade financing activities consist of pre-export financing, import financing, issuing, confirming and discounting letters of credit and letters of guarantee, and avalizing and discounting drafts and promissory notes. The Bank's trade finance activities are funded through correspondent bank facilities matched in terms of currency and maturity and through general term facilities. As of September 30, 2013, the Bank had an international correspondent banking network of over 1,600 banks. The Bank also participates in various export credit programs provided by overseas export credit agencies.

The Bank established the Trade Finance Unit in 2007 in order to increase the Bank's market share in Turkey's foreign trade as well as its profitability and customer satisfaction and loyalty. The Trade Finance Unit's duties include establishing marketing strategies, launching new trade finance products to meet the requirements of the Bank's customers, developing tailor-made products for the Bank's customers and reporting and analyzing the foreign trade volume and profitability of the Bank. Additionally, the Trade Finance Unit has been working with the NBG Group's banking subsidiaries and branches to link both parties of a trade transaction in order to increase synergy within the NBG Group's banking subsidiaries and branches as well as to offer end-to-end advantages and solutions to the Bank's customers.

***Bancassurance.*** In 2011, the Bank established the Commercial Marketing Insurance Product and Sales Management unit under the Commercial Marketing Group. The unit serves the insurance needs of Corporate, Commercial and SME Banking customers. As of the date of this Base Prospectus, this unit works with nine insurance companies operating in Turkey, using the branch network of the Bank to provide tailor-made solutions for the needs of customers. Furthermore, the

Commercial Marketing Insurance Product and Sales Management unit seeks to mediate the Bank's risk management by better controlling debt exposure by insuring loan collaterals.

## **Treasury Department**

The Bank's Treasury Department is one of the largest treasury operations in Turkey, employing over 35 professionals as of September 30, 2013. The primary mission of the Treasury Department is to manage the Bank's liquidity, foreign exchange and interest rate risks. The Treasury Department concentrates in key markets, namely money and currency markets, fixed income and derivative markets in Turkey and other countries. Liquidity, exchange rate and interest rate risks are managed according to the decisions taken by the Bank's ALCO. Services provided by the Treasury Department include supplying prices in all instruments to local branches of the Bank or selected customers of the Bank, providing consulting services to international customers investing in domestic markets and providing risk management services to selected customers in Turkey.

The Treasury Department consists of four groups: the Research and Sales Group, the Foreign Exchange, Derivatives and Fixed Income Trading Group, the Liquidity Management Group, and the Balance Sheet Management Group.

*Research and Sales Group:* The Research and Sales Group is responsible for the pricing of all transactions through the Bank's branches. In addition to conventional products, the sales desk offers customers and the branch network a wide range of derivatives and capital protected savings products. The research desk, apart from daily, weekly and quarterly reports published in both English and Turkish, supports marketing activities by attending client calls and provides strategic support for the positioning of the Core Treasury.

*Foreign Exchange, Derivatives and Fixed Income Trading Group:* The Foreign Exchange, Derivatives and Fixed Income Trading Group engages in proprietary foreign exchange trading, including foreign exchange/Turkish Lira trading and monitors both the local and international markets in order to benefit from currency movements. The Group is also active in the local currency fixed income and Turkish eurobond markets. With respect to derivatives, the Group offers pricing services on derivative products, aiming to price and trade all kinds of derivative instruments such as forwards, futures and options. The Group keeps a volatility book within pre-defined and closely monitored risk metrics and makes prices in both currency and stock derivatives in local markets.

*Liquidity Management Group:* The Liquidity Management Group manages the short- and medium-term liquidity of the Bank and determines the deposit rates up to one year. Responsibilities of the Liquidity Management Group also include managing the reserve requirement of the Bank, preparing liquidity projection reports up to one year and monitoring regulatory liquidity adequacy ratio.

*Balance Sheet Management Group:* The Balance Sheet Management Group is responsible for balance sheet risk management and funds transfer pricing. The Balance Sheet Management Group is responsible for executing the hedging strategy set by the ALCO and assessing potential exposures to risks in the balance sheet of the Bank, especially credits and deposits, in terms of maturity and costs and evaluating developments in terms of risk and hedging. The Balance Sheet Management Group uses interest rate swaps, cross currency swaps, swaptions and other interest rate risk management instruments to hedge various types of exposures. The Balance Sheet Management Group is also responsible for determining deposit and loan transfer pricing in main currencies for all tenors in order to ensure fair profit sharing among business lines and realistic pricing in products.

## **Branches**

As of September 30, 2013, the Bank maintained a branch network of 658 branches, consisting of 645 full-service branches, four corporate and commercial branches, five satellite and Easy Credit branches, two retail-only branches, one branch at the Atatürk International Airport Free Trade Zone in İstanbul and one branch in Bahrain. The Bank has dedicated certain branches, which are located primarily in upper-middle income residential areas, to retail customers. The Bank estimates that its branch network, which is one of the most modern in Turkey with an average age of 6.8 as of September 30, 2013 and 64% of branches younger than five years, covered approximately 97% of Turkish GDP and 98% of banking transactions in September 2013, in terms of geographic coverage of its branches.

The continuous expansion of the Bank's branch network, in particular the number of retail branches, has allowed the Bank to organically grow its customer base. The following table sets forth information relating to the Bank's branch network and customer growth for the periods indicated.

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
Total number of branches.....	503	522	582	658
of which full service branches.....	484	475	570	645
Approximate number of retail customers .....	8,539,376	10,115,841	11,021,583	12,167,337

The Bank believes that it has developed a branch expansion strategy that has resulted in a branch network that is both productive and efficient. As of September 30, 2013, the Bank's retail branches had an average of TL 37.4 million of retail loans. The average time it takes for a branch to become consistently profitable is approximately 15 months.

The Bank's management expects the reach of the Bank's branches to become even broader in connection with the significant ongoing expansion of its branch network. The Bank currently plans, subject to market conditions, to open up to 92 branches during 2013 (including 76 new branches opened in 2013 through September 30, 2013) and up to 25 new branches in 2014. The Bank's strategy for determining the location of new branches is based upon an analysis of economic activity in a given area, to find locations with high growth potential, particularly for retail and SME customers, rather than a strategy based strictly on geographic expansion

### Alternative Distribution Channels

In line with its strategy of offering customers a high level of service, the Bank uses a variety of alternative distribution channels to reach customers, including ATMs, POS terminals, internet banking and the 24-hour call center. In addition to providing its customers with easy and quick access to banking services, the use of alternative distribution channels contributes to significant cost savings as a result of reduced overhead.

In the first nine months of 2013, the Bank continued to focus on direct banking to improve customer satisfaction and reduce the operating costs and workload at its branches. To this end, the Bank established the Marketing and Customer Acquisition Management Unit within the Direct Banking Department during the year. The new unit is responsible for promoting and directing the Bank customers to the ATM, Internet Banking, Mobile Banking and Credit Card Internet Branch channels.

The Bank's Internet Branch was completely upgraded in 2013 to meet ever-changing customer needs and expectations in an easier-to-use and faster platform. With an interface that recognizes the user, new functions to fulfill evolving customer needs, simplified menus and a technological infrastructure that allows personalization, the revamped internet site provides customers with ease of use through a timesaving "one click transaction" feature and an upcoming transactions reminder.

In the first nine months of 2013, the Bank continued to use social media to advertise and sell banking products through these channels. In addition to the Bank's web page on Facebook, CardFinans, Fix Card, SME Arena and Finansbank Career web pages went live during 2013. The Bank has also made active use of mobile marketing channels, especially for collecting loan applications.

In the first nine months of 2013, 71% of the Bank's customer transactions were made through alternative distribution channels (internet, phone banking, ATM and Interactive Voice Response (IVR)). As of September 30, 2013, the number of monthly online banking transactions exceeded 1.5 million, an increase of 29% compared to the average number of monthly transactions in 2012. Total transaction volume increased by 33.7% and reached approximately TL 7.1 billion for the first nine months of 2013. The Bank's ATM network also grew in the first nine months of 2013, comprising over 2,650 ATMs as of September 30, 2013 compared to 2,182 as of December 31, 2012.

In October 2012, the Bank launched enpara.com, a digital banking platform designed to provide customers with direct banking without the use of any physical branches. The Bank believes that enpara.com is a cost-efficient platform that

can be used to offer customers more competitive rates. Since its introduction, enpara.com has attracted over 100,000 customers with a deposit volume of over TL 3.1 billion as of September 30, 2013. The Bank believes this new digital platform is attractive to both existing and new customers and will positively contribute to its ability to expand its retail customer base.

The table below illustrates the Bank's position in terms of ATM network internet banking as well as customers as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the nine months ended September 30,
	2010	2011	2012	2013
<b>ATMs</b>				
Number of ATMs .....	1,574	1,826	2,182	2,674
Number of ATM transactions per period ....	117,289,591	167,872,235	180,994,255	157,175,300
Market share (no. of ATM machines) .....	5.70%	5.63%	6.01%	6.60%
<b>Internet</b>				
Number of customers (total users) .....	1,404,842	1,769,060	2,272,257	2,599,488
Number of transactions per month .....	2,193,678,386	3,200,569,324	4,449,812,118	5,200,580,097

Source: BKM.

The Bank's call center provides service on a continuous basis 24 hours a day, seven days a week. Customer requests for banking and investment transactions, credit cards and other banking products are processed by two groups, telesales and inbound customer representatives.

In the first nine months of 2013, the call center responded to approximately 34.1 million calls, and 67% of all incoming calls were managed in the IVR system. The number of completed transactions was 50 million. A total of 1,095,000 sales and sales transactions that supported product usage took place at the call center and in the IVR system during the first nine months of 2013. During this time period, the call center and telesales completed approximately 201,000 confirmed CardFinans, 90,000 CardFinans Cash and 415,000 automatic payment orders and generated loans of more than TL 792.0 million under Instant Credit.

### Subsidiaries and other Affiliated Companies

The following table gives details as of September 30, 2013 for each company in which the Bank had a material equity interest.

Entity	Business	Commenced operations	Percentage held
<b>Subsidiaries</b>			
Finans Leasing .....	Leasing	1990	69.01%
Finans Factoring .....	Factoring	2009	100.00%
Finans Invest.....	Brokerage	1997	99.74%
Finans Portfolio Asset Management.....	Asset management	2000	99.71%
Finans Investment Trust .....	Investment trust	1995	85.07%
Ibtech .....	Information technology	2005	99.99%
EFinans .....	E-Invoicing	2013	51.00%
<b>Joint Ventures</b>			
Bantas .....	Cash delivery	2009	33.33%
Cigna Finans Pension.....	Pension	2007	49.00%

In the analysis that follows of the Bank's subsidiaries' business, all amounts are before elimination of intercompany transactions and balances with the rest of the Group.



### *Finans Leasing*

Finans Leasing was established in 1990 and is listed on Borsa İstanbul. As of September 30, 2013, Finans Leasing has a market share of 5.5% with a total business volume of 280 million USD in the leasing sector in Turkey, according to the Turkish Leasing Association. Finans Leasing has a lease portfolio that is diversified across several industries, with its finance lease receivables distributed as of September 30, 2013 as follows: building and construction 26.4%, textile 16.9%, manufacturing 12.9%, health and social activities 7.5%, chemical 5.9%, printing 5.0%, mining and quarrying 4.2% and agriculture, hunting and forestry 3.7%. As of September 30, 2013, the total assets of Finans Leasing were TL 1,765.5 million and its net profit for the nine months ended September 30, 2013 was TL 35.9 million.

On August 13, 2010, the Bank concluded its tender offer for the disposal of Finans Leasing. As a result of the tender offer, NBG acquired 27.3% of the share capital of Finans Leasing for TL 81.7 million. As of the date of this Base Prospectus, members of the NBG Group (including the Bank) together own 98.9% of Finans Leasing.

In 2013, in line with its strategy in 2012, Finans Leasing focused on small and medium-sized enterprises. As a result, while the number of contracts increased by 11.2% from 1,229 in 2012 to 1,367 in September 30, 2013, the average contract size increased by 3.0%.

### *Finans Factoring*

Finans Factoring has its headquarters in İstanbul and representative offices in Ankara, Antalya and İzmir and started its operations in October 2009. As of September 30, 2013, the total assets of Finans Factoring amounted to TL 474.6 million and its net profit was TL 1.2 million for the nine months ended September 30, 2013. As of September 30, 2013, total factoring receivables of Finans Factoring amounted to TL 468.7 million and the paid-in capital of Finans Factoring amounted to TL 20.0 million. The distribution of factoring receivables by industry as of September 30, 2013 was as follows: oil products 18.1%, building and construction 17.7%, transportation and storage 12.4%, wood and wood products 9.9% and textiles 5.9%.

### *Finans Invest*

Finans Invest was established in December 1996 and began operations in January 1997. As an intermediary institution, Finans Invest provides a wide range of financial services to both individual and institutional investors, including investment counseling and brokerage services, portfolio management, intermediation of derivatives, leveraged transactions (such as foreign exchange, contracts for difference (CFDs)), short-selling and credit sale of capital markets instruments, fund investment services and corporate finance and international investment services. Under the Capital Markets Law, the activities of intermediary institutions are subject to respective licenses issued by CMB for a specific activity under the name of the intermediary institution. Currently, Finans Invest is duly licensed for all capital markets activities. Finans Invest ranked fourth by volume of stocks traded on the Borsa İstanbul with a 3.37% market share, according to a breakdown of stock market transactions by Borsa İstanbul members, in the nine months ended September 30, 2013. As of September 30, 2013, the total assets of Finans Invest were TL 226.4 million (before consolidation eliminations) and its net profit for the nine months ended September 30, 2013 was TL 1.6 million.

### *Finans Portfolio Asset Management*

Finans Portfolio Asset Management, established in September 2000, managed eight exchange traded funds, 15 mutual funds, eight pension funds, one hedge fund and one investment trust portfolio, in each case as of September 30, 2013. Finans Portfolio Asset Management also manages discretionary portfolios for high net worth individuals and selected institutional customers. As of September 30, 2013, the total assets of Finans Portfolio Asset Management amounted to TL 13.7 million and its net profit for the nine month ended September 30, 2013 was TL 1.0 million.

Finans Portfolio Asset Management's market share in mutual funds was 1.7% as of September 30, 2013 and its assets under management were TL 1,066.9 million.

### *Finans Investment Trust*

Finans Investment Trust, established in 1995, is a closed-end investment company, managing portfolios composed of capital and money market instruments. Its shares have been traded on the Borsa İstanbul since 1996 and, currently, approximately 16% of its shares are publicly traded. As of September 30, 2013, Finans Investment Trust's total assets amounted to TL 20.9 million (TL 22.6 million as of December 31, 2012) and its net loss for the nine months ended September 30, 2013 was TL (1.0) million (TL 3.7 million gain for the year ended December 31, 2012).

### *Cigna Finans Pension*

Finans Pension was established in 2007. The operations of Finans Pension include providing life insurance services, establishing pension mutual funds and conducting private pensions. Finans Pension started operating in the life and personal accident insurance market in 2007 and in the private pension market in 2008, in each case after obtaining the requisite licenses and approvals.

On November 9, 2012, the Bank disposed of 51.0% of Finans Pension to Cigna for TL 202.9 million and also established a so-called earn-out structure of preference dividends paid to the Bank. As of the date of this Base Prospectus, the Bank holds 49.0% of the shares of Finans Pension. Following the sale transaction, Finans Pension has been accounted under the equity method. The Bank and Finans Pension also signed an exclusive agency agreement for the duration of 15 years that covers life insurance and pension products. Finans Pension's title was changed to Cigna Finans Pension by resolution of the company's Extraordinary General Assembly dated May 31, 2013 and registered in Trade Registry Gazette on June 13, 2013.

As of September 30, 2013, Finans Pension had established seven pension mutual funds and two group pension funds. As of September 30, 2013, the net assets of Cigna Finans Pension reached TL 66.1 million (TL 76.5 million as of December 31, 2012).

### *Ibtech*

Ibtech was established in 2005. Ibtech is located in İstanbul. Ibtech's focus is to provide designs and enhancements for software such as Core Banking (Core Finans), credit cards and, internet banking and to develop applications for the use of the Bank. As of September 30, 2013, the total assets of Ibtech amounted to TL 26.6 million.

### *Bantas*

Bantas was established in 2009. Bantas is 33.33% owned by the Bank, with Denizbank A.Ş. and Türkiye Ekonomi Bankası A.Ş. each holding 33.33%, and is located in İstanbul. Bantas securely carries assets between branches and cash centers and gives ATM cash support. As of September 30, 2013, the total assets of Bantas amounted to TL 20.9 million.

### *EFinans*

EFinans was established in 2013 to provide e-invoicing services and is 51.00% owned by the Bank. As of September 30, 2013, the total assets of EFinans amounted to TL 6.0 million.

## **Intellectual Property**

The Bank's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent upon any specific intellectual property right. The Bank seeks to protect the trademarks and trade names that it deems necessary for its operations, and the Bank's management believes that these rights are sufficiently protected.

## **Insurance**

The Bank has a world-wide bankers blanket bond insurance policy for the Bank's operations in Turkey and Bahrain. The insurance policy covers cash assets, assets (including cash) in transit, ATMs and safe deposit boxes, as well as corrupt practices on the part of the Bank employees or use or abuse of the Bank's resources for their own benefit. Third-party fraud, particularly relating to internet banking, electronic funds transfer, securities trading and custody is also covered. The Bank's

automated systems are insured against damage caused by electronic viruses. Furthermore, new branch offices are insured automatically from their date of establishment. The Bank's management believes that the amount of insurance coverage that is presently maintained represents the appropriate level of coverage required to insure the business of the Group. For information on deposit insurance protection, see "Turkish Regulatory Environment – The SDIF."

## **Competition**

The Bank competes with other banks, financial services firms and a wide range of insurance companies in providing banking, mutual fund, capital markets and advisory services and financial and insurance products. As of December 31, 2013, 46 banks were operating in Turkey, 33 of which were deposit banks and 13 of which were investment and development banks. Of the deposit banks operating in Turkey, three are state-controlled banks, 11 are private domestic banks and 18 are private foreign banks. One deposit bank is under the supervision of the SDIF. There are also four "participation banks" in Turkey that conduct their business under different legislation in accordance with Islamic banking principles. The Bank is not a significant operator in any of the international markets in which it has a presence or a branch (such as Bahrain).

For more information regarding the Bank's competitors, see "The Turkish Banking Sector." See also "Risk Factors – Risks related to the Group – Competition in the Turkish Banking Sector."

## **Legal Proceedings**

The Bank and its subsidiaries are defendants in certain claims and legal actions arising in the ordinary course of business. Other than the Competition Board investigation described below, the Group is currently not involved in any litigation, arbitration or other administrative proceedings which, if decided against the Bank or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on its business, results of operations or financial condition. There are no material proceedings pending in which any director of the Bank, any member of its senior management, or any of the Bank's affiliates is either a party adverse to the Bank or any of its subsidiaries or has a material interest adverse to the Bank or any of its subsidiaries. As of September 30, 2013, the Group had made provisions for litigation of TL 20.0 million.

### *Competition Board Investigation*

In August 2009, the Turkish Competition Board announced that it had initiated an investigation into eight major Turkish banks, including the Bank, in response to allegations that the banks had violated Law No. 4054 on the Protection of Competition (the "*Competition Law*") by acting together in wage tenders organized by public and private entities in order to avoid competitive promotional discounts and benefits offered to such public entities during the tender process. Under the Competition Law, a violation of Article 4 may result in administrative fines corresponding to up to 10% of the annual gross income of the relevant entity, although the ultimate amount of the fine is determined by the Competition Board based upon the specific facts and circumstances.

On August 19, 2010, the Competition Board experts prepared a report concluding that the banks' actions constituted a violation of the Competition Law. The report proposed that the Bank should be subject to an administrative fine corresponding to 0.3% and 0.8% of its annual gross income for the violation of the relevant articles of the Competition Law. On March 8, 2011, the Competition Board announced that, following the completion of its investigation, the Bank was issued an administrative fine corresponding to approximately 0.3% of its annual gross income for the year ended December 31, 2010. The amount of the administrative fine was TL 7.9 million. From the eight major Turkish banks subject to the Competition Board's investigation, five were issued administrative fines corresponding to approximately 0.4% of their annual gross income, two (including the Bank) were issued administrative fines corresponding to approximately 0.3% of their annual income, while one bank was not subject to any administrative fines. In accordance with the Competition Board's decision, the Bank paid a reduced penalty of TL 5.9 million. The Bank appealed the fine to the Council of State on October 20, 2011, following its receipt of the official written decree from the Turkish Competition Board. As of the date of this Base Prospectus, the Council of State has not yet made its final judgment on this case.

The Competition Board initiated a separate investigation against 12 banks operating in Turkey, including the Bank, in November 2011 to determine whether they had violated Turkish competition laws related to interest rates and fees in the deposit, credit and credit card services markets. The Competition Board announced its final decision with respect to such investigation on March 8, 2013, ruling that all of the defendants have violated Article 4 of Law No. 4054 and applying fines

on each of them based upon their respective 2011 annual turnover. The fine levied against the Bank amounted to 1% of the Bank's annual turnover for 2011, equal to approximately TL 54.0 million. The Bank benefited from a 25% pre-payment discount by paying 75% of the fine (*i.e.*, TL 40.5 million) within one month after the receipt of the reasoned decision of the Competition Board. The Bank has commenced action for annulment of the Competition Board's decision at the Ankara Administrative Court.

Under articles 57 and 58 of the Law on the Protection of Competition, customers may be able to bring claims (including in a class action) against the Bank seeking treble damages, *however*, it should be noted that there is no precedent Turkish court decision approving or disapproving any such claims by customers and there are no resolved cases opened by any customers against the Bank in this respect.

#### *Arsan Soğukpınar Elektrik Üretim A.Ş. Litigation*

An action was filed against the Bank by Arsan Soğukpınar Elektrik Üretim A.Ş., Horyan Enerji A.Ş., Köprübaşı Enerji Elektrik Üretim A.Ş., Arsan Enerji A.Ş. and Ceviz Enerji Elektrik Üretim A.Ş. in which these plaintiffs have claimed that they sustained losses due to a breach by the Bank of a financing agreement executed with the plaintiffs. The loss claimed by the plaintiffs, excluding applicable interest, is in aggregate US\$44,628,685. The Bank has submitted a counter-claim indicating that no such financing agreement existed. As of the date of this Base Prospectus, the action is still pending.

### **Information Technology**

The Bank makes use of the most recent and innovative technologies, which enables it to provide customers with the best service quality and product diversity. The Bank believes that innovation and utilization of technology support the Bank's long-term strategic direction, help accelerate innovation and expand customer base and satisfaction. The Bank intends to continue to invest in information technology in order to keep and strengthen its competitive position in the sector and increase stockholder value. The Bank also operates modern primary and disaster recovery centers, which serve its banking operations and are continuously improved in terms of capacity and cost efficiency.

In May 2005, the Bank established Ibtech, an information technology specialist subsidiary. Ibtech is the only bank information technology firm accredited to be located in the Technology Innovation Zone situated at Kocaeli, where it operates with a special license under a 45-year lease from the government. Ibtech's location in the Technology Innovation Zone enables it to exchange know-how with government institutions in an efficient manner. As of September 30, 2013, Ibtech had 668 full-time employees, with expertise in the banking industry and information technology. See also “-Subsidiaries and other Affiliated Companies.”

The Bank's competitive strategy includes the continuous development of its information technology systems both for external applications, such as ATMs and on-line banking, and to facilitate the Bank's internal procedures. A significant number of projects and infrastructure investments have been carried out to support this approach. The Bank's investments in technology were TL 42.9 million in 2010, TL 62.4 million in 2011, TL 62.5 million in 2012. The Bank's information technology budget for 2013 is TL 125.0 million and the Bank's investment for the first nine months of 2013 was TL 94.4 million.

The Bank utilizes CoreFinans, a core-banking application which is an all-inclusive in-house developed application. CoreFinans has been continuously enhanced with new functionality since it went live in 2002. With its service oriented architecture, CoreFinans provides flexibility, scalability, ease of use, ease of integration and measurability which are vital ingredients for the Bank's operations. In addition to the core-banking application, the Bank's information technology team develops and maintains alternative delivery channel applications, encapsulated with customer data management and infrastructure layers. The Bank's core banking system, CoreFinans, received a user-friendlier branch front face due to the application of new technologies in 2012. All applications used throughout the day became accessible from a single screen and were integrated with office applications.

Over the past few years, the Bank has carried out several focus projects on banking delivery channels. To improve operations at the call center, infrastructure projects were initiated at the beginning of 2007 and completed by the beginning of 2010. One of these projects includes setting up multisite call centers located in the cities of İstanbul, Ankara and Erzurum. In

recent years, the Bank has also implemented several projects focused on building long-term relationships with banking customers.

The Bank has been using a data warehouse for its strategic reporting since 2004. All data warehouse and business intelligence applications are developed in-house in order to best tailor support to business units' needs to make rapid strategic decisions.

In 2012, the Bank continued to move towards paperless branches by establishing a new scanner infrastructure for its branches. Users can access all of a customer's scanned documents through the client section. Information technology also provided support to Next Generation Internet Banking and Enpara.com branchless banking applications. With the improvements made in the SMS infrastructure, text messaging traffic can now be controlled within the Bank.

In 2013, the Bank developed and deployed new ATM hosting and terminal software in order to take advantage of owning a multi-vendor framework and being independent.

In 2013, Next Generation Mobile Banking applications for both the Bank and Enpara.com were developed and deployed on popular mobile platforms, including Android and Apple iOS. The Bank intends to expand the number of supported platforms in the near future.

## Employees

The Bank places a high priority on recruiting the highest quality staff in alignment with its long-term business strategies and regards its staff as its most significant resource. For attracting suitable candidates, the Bank's efforts have centered on HR activities for strengthening the Bank's brand image. The Bank also aims to provide a high level of personal and professional training that is both role-oriented and designed to develop certain skills and competencies and promote a coherent, unified corporate culture. The Bank aims to compensate its employees competitively and operates diversified performance driven premium and year-end success bonus models as well as several practices for reinforcement of engagement and fulfillment such as appreciation and recognition programs, internal communication activities and retention plans. With the goal of establishing long-term and efficient relationships with the employees, the Bank conducts and analyzes employee engagement and satisfaction inventories and turnover studies. It also provides vertical and horizontal career opportunities.

The Bank's employee base has continued to grow over the past years as the branch network has grown. As of September 30, 2013, the Bank employed 13,850 persons, of whom approximately 60% served in one of the Bank's branches.

The following table sets forth the number of employees of the Bank by operation as of each of the indicated dates

<b>By operation</b>	<b>As of December 31,</b>			<b>As of</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>September 30,</b>
				<b>2013</b>
Head Office .....	3,982	3,434	3,759	4,129
Branches .....	6,608	6,360	7,020	8,346
Alternative sales channels .....	874	784	1,054	1,015
Regional offices .....	270	259	228	360
<b>Total .....</b>	<b>11,734</b>	<b>10,837</b>	<b>12,061</b>	<b>13,850</b>

Additionally, the Bank's subsidiaries employed 1,494 employees as of September 30, 2013.

As of September 30, 2013, more than 90% of career Group employees had associate degrees or above. As of September 30, 2013, the Bank's employees had an average of 6.4 years of banking experience, an average seniority at the Bank of 4.6 years and an average age of 31 years, the Bank believes that its relations with its employees are good.

## Property

The Bank's principal properties, including its head office, are located primarily in three areas of İstanbul: Büyükdere, Ümraniye and Polat. The Bank's other material properties are in four other Turkish cities: Bursa, Erzurum, Gaziantep and İzmir. The market value of these material properties, based upon external appraisals in December 2012, was TL 177.3 million. The Bank operates its branches based upon medium-term leases, with typical lease periods of five to 10 years. Some of the Bank's subsidiaries and other affiliated companies own their own properties while others lease the premises in which they operate.

## Ratings

As of the date of this Base Prospectus, the Bank has been assigned the following ratings by Fitch and Moody's, which are both registered in the EU for purposes of the CRA Regulation.

	Rating Agency	
	Fitch	Moody's
Long-term foreign currency .....	BBB-	Ba2
Short-term foreign currency .....	F3	NP
Long-term local currency deposit.....	BBB-	Ba2
Short-term local currency deposit.....	F3	NP
Long-term national rating.....	AAA(tur)	—
Support.....	3	—
Bank financial strength.....	bbb-	E+
Outlook.....	Stable	Stable

The ratings set forth above are accurate only as of the date of this Base Prospectus and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## **RISK MANAGEMENT**

The Bank considers effective risk management to be crucial to its success. The Bank allocates substantial resources to upgrading its policies, methods and infrastructure to ensure compliance with best international practices and the guidelines of the Basel Committee on Banking Supervision (the “*Basel Committee*”).

### **Risk Management Governance**

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee (the “*BRC*”), Assets and Liabilities Committee (the “*ALCO*”), Corporate and Retail Credit Policy Committee (the “*CPC*”), Operational Risk Committee (the “*ORC*”) and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank. The BRC defines risk policies and strategies, reviews the types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank’s lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Group aims to adopt best practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee, the BRSA and the CMB, as well as any decisions of the competent authorities supervising the Group’s entities.

The Internal Audit Division (the “*IAD*”), which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

The Group’s risk management structure is designed to ensure the existence of clear lines of responsibility, the efficient segregation of duties and the prevention of conflicts of interest at all levels.

#### *Board Risk Committee*

The Group’s risk management policies are approved by the BRC, the members of which are the Chairman of the Bank’s Board of Directors, and three members of the Bank’s Board of Directors who are adequately qualified and experienced in the field of risk management. According to its internal regulation, the BRC is responsible for all strategic risk management decisions including, for example, the approval and review of risk strategy, policies and capital adequacy and allocation as well as oversight of the ALCO, the CPC and the ORC.

For a further description of the BRC, see “Management – Executive Committees of the Bank – Board Risk Committee.”

#### *Risk Management Department*

The Group’s Risk Management Department is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of the Risk Management Department is to provide the business lines with appropriate capital allocation (economic capital) for risks they are exposed to and to increase value-added by maximizing risk adjusted return on capital.

The Risk Management Department seeks to protect the Group against unforeseen losses and to maintain earnings stability through the independent identification and assessment of risks. It uses a framework for evaluating risks under best banking practices for risk management, producing transparent, objective and consistent risk management information as the basis for organizing the Group structure. Its role in maximizing the Group's earnings potential involves measuring performance on a risk-adjusted basis and allocating capital accordingly. In addition, it is responsible for providing the BRC and the Executive Committee with accurate data and analysis required for measuring, monitoring and managing risks and for supporting the implementation of risk management decisions. Group risk management policies are approved by the BRC.

The Risk Management Department undertakes to do the following:

- analyze, measure, monitor, control, mitigate and report to management all significant on- and off-balance sheet risks undertaken at the Bank and the Group level,
- adopt risk management policies with regard to significant credit, market, operational and other risks undertaken by the Bank and the Group,
- evaluate the internal capital that is required in respect of all aforementioned risks and estimate all relevant capital ratios of the Bank and the Group,
- establish a framework for undertaking risk applicable to all levels of management and collective bodies of the Bank and the Group,
- establish early warning systems and perform stress tests on a regular basis, and
- guide decision-making processes at the Group level by providing the necessary risk management related evaluation.

#### *Asset and Liability Management*

The ALCO proposes asset and liability management procedures and policies to the Bank's Board of Directors that are compatible with prevailing laws and regulations. The ALCO is responsible for executing these policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets monthly. At these meetings, the ALCO reviews critical risk issues and determines the strategies for asset and liability management.

#### *Internal Audit Division*

The IAD has an independent and advisory role, the objective of which is to conduct assurance and consulting activities designed to add value and improve operations. Internal audit contributes to the achievement of corporate objectives by: (a) bringing a systematic, disciplined approach to the evaluation of the effectiveness of risk management, internal controls and corporate governance, (b) recommending appropriate measures to improve their efficiency and effectiveness and (c) monitoring the implementation of corrective actions.

The IAD is administratively independent from other Bank and Group units. The head of the IAD is assigned or discharged exclusively by the Bank's Board of Directors, on the recommendation of the Audit Committee and the Bank's Chief Executive Officer. The Chief Audit Executive reports on the IAD's activities directly to the Audit Committee on a quarterly basis and to the Bank's Board of Directors, through the Audit Committee, similarly on a quarterly basis.

#### **Management of Specific Risks**

The Bank's risk management processes distinguish among the types of risks set out below. See also Section 4 of the BRSA Financial Statements for the Group as of and for the nine months ended September 30, 2013.



## *Credit Risk*

Credit risk represents the risk arising from a counterparty not fulfilling its responsibilities stated in the agreement either partially or totally. The Credit Policies Committees and Credit Divisions are responsible for managing the credit risk of the Group.

While the underwriting units are responsible for day-to-day management of credit risk, the Credit Policy Committees control the overall lending process by approving the lending criteria and credit risk policies and delegating authorities depending on the type of the product. The responsibility of the Bank's credit risk management unit is the establishment of effective and efficient internal policies, procedures and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Bank's management believes that the Bank has established a sound internal rating system supported by an appropriate number of rating and scoring models to ensure its effectiveness across all lending types. The risk management unit is responsible for building a regular cycle of rating models validation that includes monitoring of model performance and stability and, where necessary, model improvement.

Pursuant to a belief that inadequate diversification may have a significant impact on the value of the Bank's credit portfolio, the Bank has established maximum concentration limits for single names and industries. In addition to exposure limits per obligor, product base limits are also in place. Counterparty credit risk exposure limits cover potential future exposures that may result from market fluctuations.

The Bank actively uses collateral management as an important risk mitigation mechanism, including sufficient legal review confirming the enforceability of the collateral arrangements under the applicable law and strong operational requirements. The market value of the collateral is appraised at least annually or more often whenever there is a reason to believe that a significant decrease in its market value has occurred.

As long as a customer has a credit line, the Bank continuously monitors the credit risk of the customer. Quality, timeliness and sufficiency of information flow are under the responsibility of underwriting department. The financial standing and the business risk profile of a customer are being continuously monitored the corporate ratings are updated and the customer limits are reviewed at least annually. Early warning systems have been set up in order to ensure that customers for which a significant deterioration in the credit quality or payment performance has been observed are transferred to the watch list and closely monitored. Similarly, restructured and rescheduled loans are carefully monitored in line with the Group's credit risk policy.

*Credit Cards.* The credit card portfolio is the largest component of the Bank's retail banking business (TL 6,392.1 million as of December 31, 2010, TL 8,130.1 million as of December 31, 2011, TL 10,865.1 million as of December 31, 2012 and TL 11,113.7 million as of September 30, 2013). Due to the weight of credit card loans in the Bank's statement of financial position, the portfolio is subject to close monitoring and analysis on an ongoing basis with what the Bank's management believes are robust techniques.

The Group has established a credit card scoring system supported with a number of models. Scoring systems and risk analytics are incorporated throughout the credit process, from the grant of credit through to collection. The Bank's risk management unit is responsible for building a regular cycle of model validation that includes monitoring of model performance and stability, and model improvement where necessary.

Credit cards that are in arrears or are considered to be a potential problem for the Bank are actively monitored and managed with the intent of avoiding loss, or mitigating it to the greatest extent possible. The Bank has established processes whereby delinquent credit cards are effectively dealt with in a timely fashion so that the collection performance of the credit card loans portfolio continuously improves. The Bank has also implemented early warning systems with the goal of ensuring that customers subject to significant credit quality or payment performance deterioration are monitored with special care.

*Mortgage Lending.* The mortgage lending portfolio is the second largest component of the Bank's retail banking business (total exposure TL 6,425.5 million as of December 31, 2010, TL 6,152.6 million as of December 31, 2011, TL 6,737.4 million as of December 31, 2012 and TL 6,867.8 million as of September 30, 2013). Accordingly, similar to

credit card loans, the mortgage portfolio is also closely monitored and multi-dimensional risk analyses are performed on an ongoing basis. Despite the fact that the portfolio is in the early stages of its business cycle, the Bank's management expects that the collection performance will be at satisfactory levels in the following years.

### *Counterparty Risk*

The Group faces counterparty risk from the over-the-counter transactions and the repurchase agreements in which it is involved. Counterparty risk is the risk arising from an obligor's failure to meet its contractual obligations. For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The financial institution department is responsible for setting and monitoring the limits.

Counterparty limits are set based upon the credit ratings of the financial institutions. The credit ratings are provided by internationally recognized ratings agencies, in particular by Moody's and Standard & Poor's. According to the Bank's policy, if agencies disagree on the creditworthiness of a financial institution, only the lowest rating will be taken into consideration. In cases where a financial institution is not rated by internationally recognized ratings agencies, its rating is determined by the Bank's internal rating model.

The counterparty limits apply to all financial instruments that the Treasury department actively trades in the interbank market. The limits framework is revised according to the business needs of the Bank and prevailing conditions in international financial markets. A similar limit structure for the management of counterparty risk is enforced across all of the Group's subsidiaries.

The Group seeks to reduce counterparty risk by standardizing relationships with counterparties through the use of documentation maintained by the International Swaps and Derivatives Association (ISDA), International Capital Markets Association (ICMA) and International Securities Lending Association (ISLA) that include all necessary closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

The Group avoids taking positions in derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty.

The Bank uses the "current exposure method" for the calculation of regulatory capital requirements arising from counterparty credit risk.

### *Interest Rate Risk*

Interest rate risk is the risk related to the potential losses on the Group's portfolio due to adverse movements in interest rates. A principal source of interest rate risk exposure arises from the Group's bond portfolios and its interest rate exchange-traded and over-the-counter transactions.

The Group has to manage the interest rate risk that derives from the positions it retains in Turkish government bonds, denominated mostly in Turkish Lira. In addition, the Group enters into swap transactions either for hedging purposes or for proprietary reasons. As a means of hedging, the Group enters into swap transactions in order to hedge the interest rate risk of its eurobond portfolio, which consists predominantly of Turkish government bonds denominated in foreign currency.

In order to offer loans to its customers, the Group also obtains liquidity in U.S. Dollars, which are then converted into Turkish Lira through cross-currency interest rate swaps. These cross-currency interest rate swaps act as a hedge to the interest rate risk that derives from the Group's loan portfolio.

*Interest Rate Risk in the Banking Book.* Interest rate risk in the banking book is the current or prospective risk to earnings (net interest income) and capital due to adverse movements in interest rates affecting the banking book positions. Exposure to interest rate risk in the banking book arises from re-pricing mismatches between assets and liabilities. The Group's banking book consists mainly of loans and receivables, leasing and factoring receivables, cash and balances with central banks, amounts due from banks, customer deposits, amounts due to banks, debt securities issued and funds borrowed

that are measured at amortized cost. The Bank's management believes that it maintains adequate measurement, monitoring and control functions for interest rate risk in the banking book, including:

- measurement systems for interest rate risk that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of the Group's activities,
- measurement of vulnerability to loss under stressful market conditions,
- processes and information systems for measuring, monitoring, controlling, and reporting interest rate risk exposures in the banking book, and
- a documented policy regarding the management of interest rate risk in the banking book.

Interest rate risk that would arise from the changes in interest rates depending upon the Group's position is managed by the ALCO.

Interest rate sensitivity of assets, liabilities and off-balance sheet items is analyzed by top management in the ALCO meetings held monthly by taking market developments into consideration. The management of the Group follows the interest rates in the market on a daily basis and revises interest rates of the Group when necessary.

In addition to customer deposits, the Bank funds its long-term fixed interest rate Turkish Lira-denominated installment loan portfolio with long-term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank swaps the foreign currency-denominated liquidity obtained from the international markets to Turkish Lira-denominated liquidity with long-term swap transactions (fixed Turkish Lira interest rate and floating foreign currency interest rate).

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the Bank's policy aim to ensure that this risk stays within pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/gap analyses, which rely upon calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins in order to calculate their impact on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis and the May 2004, June 2006 and 2008 scenarios are also simulated. As of September 30, 2013, the expected change in net economic value under the Basel scenario, which is defined by the BRSA, was TL 934.5 million (9.89 % of equity), which is well below the 20% limit advised by the Basel Committee (Principles for the Management and Supervision of Interest Rate Risk, July 2004).

The following table sets forth the Group's "re-pricing" gap as of September 30, 2013. The Group reports its "re-pricing" gap only on an annual basis.

Assets	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest-Bearing	Total
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank .....	-	-	-	-	-	7,793,740	7,793,740
Due from Banks .....	5,161	2,026	4,063	-	-	231,295	242,545
Financial Assets at Fair Value Through Profit/Loss .....	107,053	126,450	614,258	1,258,232	303,222	324,137	2,733,352
Money Market Placements .....	2,248	-	-	-	-	-	2,248
Inv. Securities Available for Sale .....	1,429,399	766,236	1,808,945	440,236	1,148,546	39,379	5,632,741
Loans and Receivables .....	10,023,378	4,523,593	11,905,884	11,714,546	3,100,640	504,697	41,772,738
Investment Securities Held to Maturity .....	485,391	832,961	526,209	295,893	124,434	-	2,264,888
Other Assets .....	414,612	185,513	467,910	627,485	13,465	2,274,741	3,983,726
<b>Total Assets .....</b>	<b>12,467,242</b>	<b>6,436,779</b>	<b>15,327,269</b>	<b>14,336,392</b>	<b>4,690,307</b>	<b>11,167,989</b>	<b>64,425,978</b>
<b>Liabilities</b>							
Bank Deposits .....	869,958	334,640	9,817	-	-	34,309	1,248,724
Other Deposits .....	18,539,886	10,707,778	2,006,327	7,146	444	4,898,879	36,160,460
Money Market Borrowings .....	3,068,233	251	-	-	-	-	3,068,484
Sundry Creditors .....	1,373,501	-	-	-	-	1,442,367	2,815,868
Securities Issued .....	104,424	1,250,424	1,874,555	-	-	-	3,229,403
Funds Borrowed .....	1,740,973	3,075,918	1,273,402	457,937	6,259	3,332	6,557,821
Other Liabilities .....	121,116	391,570	161,757	5,712	-	10,665,063	11,345,218
<b>Total Liabilities .....</b>	<b>25,818,091</b>	<b>15,760,581</b>	<b>5,325,858</b>	<b>470,795</b>	<b>6,703</b>	<b>17,043,950</b>	<b>64,425,978</b>
On Balance Sheet Long Position .....	-	-	10,001,411	13,865,597	4,683,604	-	28,550,612
On-Balance Sheet Short Position .....	(13,350,849)	(9,323,802)	-	-	-	(5,875,961)	(28,550,612)
Off-Balance Sheet Long Position .....	-	-	363,163	1,222,774	127,312	-	1,713,249
Off-Balance Sheet Short Position .....	(63,480)	(279,755)	-	-	-	-	(343,235)
<b>Total Position .....</b>	<b>(13,414,329)</b>	<b>(9,603,557)</b>	<b>10,364,574</b>	<b>15,088,371</b>	<b>4,810,916</b>	<b>(5,875,961)</b>	<b>1,370,014</b>

### Equity Risk

Equity risk is the risk related to potential losses that the Group might incur due to adverse movements in the prices of stocks and equity indices. The Group holds a limited portfolio of stocks, the majority of which are traded on the Borsa İstanbul, and also retains positions in stock and equity index derivatives traded in the Turkish and international exchanges.

### Foreign Exchange Risk

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The foreign exchange risk derives from the Group's Open Currency Position ("OCP").

The Group trades in all major currencies, holding mainly short-term positions for trading purposes and for servicing its institutional, corporate, domestic and international clients. According to the Bank's strategy, the end of day OCP is required to comply with the regulatory limits.

The Group evaluates its exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Group also engages in foreign option transactions. The position limit of the Group related to foreign exchange risk is determined according to the foreign currency net position standard ratio determined by the BRSA.

Turkish banking authorities regulate and monitor the net open position maintained by banks, as discussed in "Turkish Regulatory Environment." The Bank's net foreign currency position is closely monitored by the Treasury Department with respect to a limit set by the BRC.

The Bank's consolidated subsidiaries and its associates determine position limit related with foreign exchange risk as determined by regulatory bodies. The Bahrain branch conducts its operations in the local currency of Bahrain.

The following table sets forth the Group's net foreign currency position after including off-balance sheet positions (notional values of derivatives) as of December 31, 2010, 2011 and 2012 and as of September 30, 2013. The Group reports its net foreign currency position after including off-balance sheet positions (notional values of derivatives) only on an annual basis.

	<b>Net foreign currency position</b> (TL millions)
As of December 31, 2010 .....	(431.8)
As of December 31, 2011 .....	(455.5)
As of December 31, 2012 .....	(409.6)
As of September 30, 2013 .....	(212.0)

*Foreign Exchange Risk Concentration.* The Group's exposure to foreign exchange risk, before taking into consideration the effect of hedging, is presented in the following table. As described above, the end of day OCP is required to comply with regulatory limits. Compliance is achieved by entering into appropriate offsetting positions. Consequently, the net exposure to each foreign currency is maintained at low levels and within the limits.

The following table sets forth the Group's foreign exchange risk concentration as of September 30, 2013. The Group reports its foreign exchange risk concentration only on an annual basis.

<b>Assets</b>	<b>Euro</b>	<b>U.S. Dollars</b>	<b>Others</b>	<b>Total</b>
	(TL thousands)			
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank .....	2,346,111	2,889,716	1,589,901	6,825,728
Due From Banks .....	62,988	156,069	13,898	232,955
Financial Assets at Fair Value through Profit/Loss .....	73,681	162,666	8,469	244,816
Money Market Placements .....	-	-	-	-
Investment Securities Available-for-Sale .....	112,107	967,101	-	1,079,208
Loans and Receivables .....	2,637,817	3,558,997	91,286	6,288,100
Investments in Assoc., Subsidiaries and Entities under Common Control .....	-	-	-	-
Investment Securities Held-to-Maturity .....	-	224,815	-	224,815
Derivative Financial Assets Hedging Purposes .....	-	69,773	-	69,773
Tangible Assets .....	-	-	78	78
Intangible Assets .....	-	-	-	-
Other Assets .....	891,135	340,418	1,208	1,232,761
<b>Total Assets .....</b>	<b>6,123,839</b>	<b>8,369,555</b>	<b>1,704,840</b>	<b>16,198,234</b>
<b>Liabilities</b>				
Bank Deposits .....	216,912	611,896	28,476	857,284
Foreign Currency Deposits .....	3,146,113	6,745,943	798,513	10,690,569
Money Market Borrowings .....	84,964	872,961	-	957,925
Funds Provided from Other Financial Institutions .....	1,988,067	4,092,386	5,469	6,085,922
Securities Issued .....	-	1,750,064	-	1,750,064
Sundry Creditors .....	935,112	486,629	1,483	1,423,224
Derivative Fin. Liabilities Hedging Purposes .....	29,334	53,811	-	83,145
Other Liabilities .....	75,769	206,142	10,487	292,398
<b>Total Liabilities .....</b>	<b>6,476,271</b>	<b>14,819,832</b>	<b>844,428</b>	<b>22,140,531</b>
Net Balance Sheet Position .....	<b>(352,432)</b>	<b>(6,450,277)</b>	<b>860,412</b>	<b>(5,942,297)</b>
<b>Net Off-Balance Sheet Position .....</b>	<b>506,774</b>	<b>6,092,142</b>	<b>(868,664)</b>	<b>5,730,252</b>

## Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates) and their levels of volatility. In recent years, the Group has expanded its trading activities to include a wide variety of financial products in order to enhance its profitability and its service to clientele. These trading activities require the Group to assume market risk, which the Group seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Group's transactions. The capital required for general market risk and specific risk is calculated and reported monthly in accordance with the "standard method" defined in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Banks" issued by the BRSA. The most significant types of market risk for the Group are interest rate risk and foreign exchange risk.

**Value-at-Risk.** The Risk Management Division calculates daily value-at-risk ("VaR") for the Bank's trading book and total portfolio, which consists of trading book and available-for-sale portfolio. In particular, the Bank has adopted a historical simulation methodology with a 99% confidence interval and a one-day holding period. VaR is calculated with a "historical simulation" method. Overall "Bank Risk Tolerance" and VaR limits for each risk factor are determined in order to manage the market risk efficiently and to keep the market risk within the desired limits. The Group Risk Management Department monitors VaR balances daily for compliance with the limits. Periodic stress tests and scenario analyses are used to support the results of VaR.

The limits have been determined by reference to worldwide best practices; they refer not only to specific types of market risk, such as interest rate, foreign exchange and equity risk, but also to the overall market risk of the Bank's trading and AFS portfolios.

The tables below set forth the Bank's VaR as of and for the year ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013.

<b>As of and for the year ended December 31, 2010</b>				
<b>VaR</b>	<b>Total VaR</b>	<b>Interest rate</b>		<b>Foreign</b>
		<b>VaR</b>	<b>Equity VaR</b>	<b>exchange risk</b>
				<b>VaR</b>
		<i>(TL thousands)</i>		
As of period end .....	25,065	25,581	513	1,015
Period Average .....	16,937	16,602	182	2,471
Period Maximum .....	28,031	29,052	672	9,557
Period Minimum .....	5,778	5,943	—	212
<b>As of and for the year ended December 31, 2011</b>				
<b>VaR</b>	<b>Total VaR</b>	<b>Interest rate</b>		<b>Foreign</b>
		<b>VaR</b>	<b>Equity VaR</b>	<b>exchange risk</b>
				<b>VaR</b>
		<i>(TL thousands)</i>		
As of period end .....	42,653	42,706	270	2,111
Period Average .....	36,915	36,501	603	1,764
Period Maximum .....	59,254	58,082	1,679	5,243
Period Minimum .....	22,566	22,825	176	155

<b>As of and for the year ended December 31, 2012</b>				
	<b>Total VaR</b>	<b>Interest rate VaR</b>	<b>Equity VaR</b>	<b>Foreign exchange risk VaR</b>
<b>VaR</b>		<i>(TL thousands)</i>		
As of period end .....	14,809	17,048	688	540
Period Average .....	26,406	26,242	661	1,523
Period Maximum .....	14,040	14,643	223	124
Period Minimum .....	43,387	43,148	1,509	4,037

<b>As of and for the nine months ended September 30, 2013</b>				
	<b>Total VaR</b>	<b>Interest rate VaR</b>	<b>Equity VaR</b>	<b>Foreign exchange risk VaR</b>
<b>VaR</b>		<i>(TL thousands)</i>		
As of period end .....	58,654	61,436	280	1,445
Period Average .....	42,669	42,493	431	1,128
Period Maximum .....	88,834	89,409	1,075	5,969
Period Minimum .....	13,041	13,394	24	149

Total VaR increased from December 31, 2012 to September 30, 2013 due to an increase in market volatility.

The Bank also performs back-testing in order to verify the predictive power of its VaR model. As a result of market turmoil in June and July 2013, there were eight excesses in back-testing results in 2013 whereas such excesses only occurred twice in 2012. The calculations refer only to the Bank's trading and available for sale portfolios positions, in accordance with the guidelines from the BRSA, and involve the comparison of "hypothetical" daily gains and losses with the respective estimates of the VaR model used for regulatory purposes.

In addition, the Bank performs stress test analyses on its trading and available for sale portfolios on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices and are based upon the latest financial crises that have taken place in Turkey.

*Limitations of the VaR model.* The VaR model is based upon certain theoretical assumptions, which under extreme market conditions might not capture the maximum loss the Bank will suffer. Some of the limitations of the Group's methodology are summarized as follows:

- The use of historical data series as predictive measures for the behavior of risk factors in the future might prove insufficient in periods of intense volatility in financial markets.
- The one-day holding period for VaR calculations (or 10 days for regulatory purposes) implies that the Bank will be able to liquidate all of its trading assets within this length of time. This assumption might underestimate market risk in periods of insufficient liquidity in financial markets or in cases where certain assets in the Bank's portfolio cannot be easily liquidated.
- VaR refers to the plausible loss on the Bank's portfolio for a 99% confidence interval, not taking into account any losses beyond that level.
- All calculations are based upon the Bank's positions at the end of each business day, ignoring the intra-day exposures and any realized losses that might have been incurred.
- VaR estimates rely upon small changes in the prices of risk factors. For bigger movements, the methodology would not fully capture the effect on the value of the portfolio.

## Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the institution's inability to meet its liabilities when they come due without incurring unacceptable losses. It reflects the potential mismatch of payment obligations to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/call risk). Liquidity risk involves both the risk of unexpected increases in the interest expense the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The primary objectives of the Group's asset and liability management are to ensure that sufficient liquidity is available to meet the Bank's commitments to its customers in respect of repayment of deposits and ATM transactions, to satisfy the Bank's other liquidity needs and to ensure compliance with capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of the Bank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of the Bank. The objective of the Bank's asset and liability management strategy is to structure the Bank's balance sheet in view of liquidity risk, maturity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has adequate capital and is using capital to maximize net interest income. The ALCO sets the Bank's policies for interest rate levels and terms for loans and deposits and makes decisions regarding maturities and pricing of loans and deposits. In addition, members of the Treasury Department, including the group managers, managers, assistant managers and fixed income and foreign exchange traders, meet on a daily basis to monitor the risk exposure of the Bank, particularly the Bank's net foreign currency short position and the daily interest rate gap and duration.

The Bank's Treasury Department is responsible for managing and implementing the Bank's asset and liability positions on a day-to-day basis and ensuring the availability of funds for all of the Bank's products and services distributed through the Bank's branch network. The Treasury department measures and evaluates on a daily basis the Bank's risk exposure and unfavorable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities.

The Group's primary funding source is total deposits (customer deposits and due to other banks), which constituted 61.2%, 61.4%, 59.0% and 58.1% of total liabilities and shareholders' equity as of December 31, 2010, 2011, 2012 and September 30, 2013, respectively. The Bank's management believes that total deposits provide it with a stable funding base.

As of September 30, 2013, demand deposits, of which 63.7% were Turkish Lira-denominated, constituted 13.2% of the Group's total deposits. As of the same date, time deposits represented 86.8% of total deposits with Turkish Lira-denominated deposits representing a majority with 71.0% of the total time deposits. The following table sets forth the deposit breakdown by currencies as of each of the indicated dates.

	As of December 31,			As of
	2010	2011	2012	September 30,
				2013
<b>Demand deposits</b> .....	<b>9.2%</b>	<b>9.3%</b>	<b>10.4%</b>	<b>13.2%</b>
Turkish Lira-denominated .....	6.0%	5.5%	6.2%	8.4%
Foreign currency-denominated .....	3.2%	3.8%	4.2%	4.8%
<b>Time deposits</b> .....	<b>90.8%</b>	<b>90.7%</b>	<b>89.6%</b>	<b>86.8%</b>
Turkish Lira-denominated .....	69.0%	67.3%	63.0%	60.7%
Foreign currency-denominated .....	21.8%	23.4%	26.6%	26.1%
<b>Total deposits<sup>(1)</sup></b> .....	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Turkish Lira-denominated .....	75.0%	72.8%	69.2%	69.1%
Foreign currency-denominated .....	25.0%	27.2%	30.8%	30.9%

(1) Total deposits includes customer deposits and due to other banks.



The following table sets forth the maturity profile of deposits as of each of the indicated dates.

	As of December 31,			As of
	2010	2011	2012	September 30, 2013
	(TL thousands)			
<b>Demand deposits</b> .....	<b>2,210,208</b>	<b>2,697,079</b>	<b>3,406,694</b>	<b>4,933,188</b>
Turkish Lira-denominated.....	1,444,045	1,605,097	2,041,496	3,142,206
Foreign currency-denominated.....	766,163	1,091,982	1,365,198	1,790,982
<b>Up to 1 month</b> .....	<b>5,464,114</b>	<b>2,728,758</b>	<b>5,585,113</b>	<b>5,969,994</b>
Turkish Lira-denominated.....	3,913,879	1,603,771	3,666,056	4,519,207
Foreign currency-denominated.....	1,550,235	1,124,987	1,919,057	1,450,787
<b>1 to 3 months</b> .....	<b>14,562,536</b>	<b>19,435,600</b>	<b>21,222,671</b>	<b>19,582,516</b>
Turkish Lira-denominated.....	11,427,492	14,833,922	15,338,116	12,824,865
Foreign currency-denominated.....	3,135,044	4,601,678	5,884,555	6,757,651
<b>3 to 12 months</b> .....	<b>1,721,456</b>	<b>3,966,901</b>	<b>2,451,651</b>	<b>6,492,244</b>
Turkish Lira-denominated.....	1,215,152	2,958,050	1,567,100	5,240,756
Foreign currency-denominated.....	506,304	1,008,851	884,551	1,251,488
<b>1 to 5 years</b> .....	<b>52,020</b>	<b>164,949</b>	<b>38,888</b>	<b>431,242</b>
Turkish Lira-denominated.....	18,042	106,270	31,000	134,299
Foreign currency-denominated.....	33,978	58,679	7,888	296,943
<b>Over 5 years</b> .....	-	-	-	-
Turkish Lira-denominated.....	-	-	-	-
Foreign currency-denominated.....	-	-	-	-
<b>Total deposits<sup>(1)</sup></b> .....	<b>24,010,334</b>	<b>28,993,287</b>	<b>32,705,017</b>	<b>37,409,184</b>
Turkish Lira-denominated.....	18,018,610	21,107,110	22,643,768	25,861,333
Foreign currency-denominated.....	5,991,724	7,886,177	10,061,249	11,547,851

(1) Total deposits includes customer deposits and due to other banks.

#### Insurance Risk

The insurance policies issued by the Group carry a degree of risk. The risk under any insurance policy is the possibility of the insured event resulting in a claim. By the very nature of an insurance policy, risk is based upon fortuity and is therefore unpredictable.

The principal risk that the Group may face under its insurance policies is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This could occur because the frequency or severity of claims is greater than estimated.

The above risk exposure is mitigated, to some extent, by diversification across a large portfolio of insurance policies. The variability of risks is also improved by the careful selection and implementation of the Group's underwriting policy, reinsurance strategy and internal guidelines, within an overall risk management framework. Pricing is based upon assumptions and statistics with regard to trends, current market conditions and past experience.

Reinsurance arrangements include proportional, optional facultative, excess of loss and catastrophic coverage.

#### Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events.

Operational risk is managed based upon a framework for identifying, measuring, monitoring and managing all risks within the scope of the definition of operational risk. Activity-based operational risks are identified through "risk control self assessment" and categorized by cause, event and effect categories as proposed by the Basel Committee in its report published

in 2004 entitled “International Convergence of Capital Measurement and Capital Standards: a Revised Framework,” which set out a new capital adequacy framework (“*Basel II*”), and action has been taken for severe risks. Operational loss data collection, which started in January 2005, enables the Bank to be compliant with Basel II’s “Advanced Approaches.” While loss data are accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based upon the results. The Bank’s Operational Risk Committee defines necessary improvement actions.

A business continuity management plan, prepared in order to minimize losses due to business disruption, has been implemented by the Group. Comprehensive annual tests of the Bank’s disaster recovery center are undertaken with the participation of business units and IT.

### **Model Validation**

The Bank’s Model Validation Unit is responsible for assessing the predictive ability of the Bank’s risk estimates and its use of ratings in credit processes. The unit’s main goal is to attain the maximum benefit from the employment of these models while staying in compliance with regulatory requirements. Initial validations of credit cards, retail loans and SME application and behavioral scorecards have been completed. The performances of existing scorecards are also monitored. Moreover, the models of the treasury control unit and market risk management are examined and the results reported to management. The implementation of the IT and database infrastructure for periodic monitoring of the scorecard performances is ongoing.

### **Anti-Money Laundering and Combating the Financing of Terrorism Policies**

Turkey is a member country of the Financial Action Task Force (*i.e.*, the FATF) and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the “*Law on the Prevention of Laundering Proceeds of Crime*”).

The main provisions of the Law on the Prevention of Laundering Proceeds of Crime and related legislation include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

In an effort to ensure compliance with FATF requirements, the CFT Law was introduced on February 16, 2013. The CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The law includes measures to criminalize terrorist financing further and implement an adequate legal framework for identifying and freezing terrorist assets. See “Risk Factors – Risks related to Turkey - Combating the Financing of Terrorism.”

The Bank’s management believes that the Group is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation in effect, namely the “Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism” published in the Official Gazette dated September 16, 2008 and numbered 26999 and the “Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism” published in the Official Gazette dated January 9, 2008 numbered 26751. These regulations include requirements to have written policies and procedures on anti-money laundering and “know your customer” principles such as assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

### **Capital Adequacy**

The Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets, off-balance sheet exposures, market and other risk positions. Further

to the Regulation on Equities of Banks published in the Official Gazette dated November 1, 2006 and numbered 26333 (the “2006 Equity Regulation”), which was replaced by the 2013 Equity Regulation on January 1, 2014, the Group’s total capital ratio was (through the end of 2013) calculated by dividing: (a) the sum of its Tier I capital (which comprises its share capital, reserves, retained earnings and profit for the period for the current period) *plus* its Tier II capital (which comprises general provisions and secondary subordinated loans) by (b) the aggregate of its risk weighted assets, risk weighted off-balance sheet exposures and market and other risk positions.

The following table sets forth the Group’s consolidated capital adequacy ratios as of December 31, 2012 and September 30, 2013, calculated based upon the BRSA Financial Statements in accordance with the “Regulations on Measurement and Assessment of Capital Adequacy of Banks” issued by the BRSA.

	As of December 31, 2012	As of September 30, 2013
	<i>(TL thousands)</i>	
<b>Capital Adequacy</b>		
<b>Capital:</b>		
Tier I capital.....	7,028,081	7,657,628
Tier II capital <sup>(1)</sup> .....	2,312,163	2,363,974
<b>Total capital</b> .....	<b>9,340,244</b>	<b>10,021,602</b>
Deductions <sup>(2)</sup> .....	12,259	14,706
<b>Net total capital</b> .....	<b>9,327,985</b>	<b>10,006,896</b>
Risk Weighted Assets (including market & operational risk) .....	<b>48,719,788</b>	<b>55,734,550</b>
<b>Capital Adequacy Ratios:</b>		
Tier I ratio.....	14.50%	13.74%
Total capital ratio <sup>(3)</sup> .....	19.15%	17.95%

(1) Revaluation reserve plus general provisions, foreign exchange differences and valuation of marketable securities.

(2) Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debts and debt instruments purchased from such parties qualified as primary or secondary subordinated debts and net book values of properties exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years after foreclosure.

(3) Net total capital as a percentage of risk weighted assets including market and operational risk.

The Group maintains regulatory capital ratios on both a Bank-only and consolidated basis in excess of the regulatory minimum. The Group’s Tier I ratio and total capital ratio were 13.74% and 17.95% as of September 30, 2013, 14.50% and 19.15% as of December 31, 2012, 13.48% and 17.61% as of December 31, 2011 and 13.81% and 17.33% as of December 31, 2010, respectively. The 2010 and 2011 ratios are not directly comparable to ratios for later dates due to the change in methodology described in “Turkish Regulatory Environment – Capital Adequacy - Basel II.”

Within the context of the implementation of the Basel III framework in Turkey, the 2006 Equity Regulation was replaced by the 2013 Equity Regulation as noted above. As a result, the calculations regarding capital adequacy for periods from January 1, 2014 will be performed in accordance with the 2013 Equity Regulation and other regulations newly enacted and/or amended by the BRSA. See “Turkish Regulatory Environment – Capital Adequacy” for additional information.

## MANAGEMENT

### Overview

Pursuant to the provisions of the Turkish Commercial Code (Law No. 6102), and the articles of association of the Bank, the Board of Directors is responsible for the management of the Bank.

As of the date of this Base Prospectus, the Board of Directors consists of 12 members. The articles of association provide that the Board of Directors shall consist of a minimum of five members, with the General Manager of the Bank (and the Deputy General Manager in his absence) serving as a delegated member of the Board of Directors, and all other members being elected by the shareholders of the Bank. Members of the Board of Directors can be elected only for three fiscal year terms and can be re-elected or changed at any time. Meetings of the Board of Directors occur at least once a month at the Bank's head office or at another location in Turkey. The required meeting quorum at any Board of Directors meeting is a majority of the members. Resolutions must be passed by a majority of the members present at a meeting.

In particular, the Bank's Board of Directors has the power to:

- establish branches, agencies and representation offices in Turkey and abroad,
- approve the Bank's labor rules,
- appoint executive vice presidents pursuant to the relevant recommendation of the Bank's Chief Executive Officer,
- approve the Group's annual BRSA consolidated financial statements and the Bank's annual BRSA bank-only financial statements, and
- issue bonds, apart from those for which the Bank's General Assembly is exclusively competent in accordance with the Turkish law.

The Bank's senior management includes the Bank's Executive Vice Presidents, Heads of Divisions as well as the Coordinators responsible for retail marketing and retail loans.

### Board of Directors

The following table sets out the members of the Board of Directors, their position and the date of their appointment to the Board. The current term of all members of the Board of Directors expires in March 2014.

<b>Name</b>	<b>Position</b>	<b>Date first appointed</b>
Dr. Mehmet Ömer Arif Aras.....	Chairman and Executive Member, Group CEO	2000
Sinan Şahinbaş.....	Vice Chairman and Executive Member	2004
Prof. Dr. Mustafa Aydın Aysan .....	Board Member and Head of Audit Committee	2000
Paula Hadjisotiriou .....	Board Member	2013
Antonios Grammatikopoulos.....	Board Member	2012
Mustafa Hamdi Görtin .....	Board Member	2010
Temel Güzelöğlu .....	Board Member and General Manager	2010
Christos Alexis Komninos .....	Board Member	2011
Dr. Paul Mylonas .....	Board Member and Audit Committee Member	2010
Ali Teoman Kerman .....	Board Member	2013
Ioannis Vagionitis .....	Board Member and Audit Committee Member	2014
Stefanos Pantzopoulos .....	Board Member	2012

The business address of the members of the Board of Directors is Büyükdere Caddesi 129, 34394 Mecidiyeköy, İstanbul, Turkey. Set forth below are brief biographies of the members of the Board of Directors, including the Chairman and Executive Member and the Vice Chairman and Executive Member.

#### ***Chairman and Executive Member***

##### *Dr. Ömer A. Aras - Chairman of the Board of Directors and Group CEO*

Dr. Ömer A. Aras earned a bachelor's degree in economics from the Economic and Commercial Sciences Academy in 1975. He then received an MBA in 1978 and a PhD in 1981 from Syracuse University. Subsequently and until 1984, Dr. Aras served as a faculty member in the Business Administration Department at Ohio State University. Between 1984 and 1987, he worked as Credit Marketing Manager and Credit Committee Member at Citibank. Dr. Aras participated in the establishment of the Bank in 1987, and served as Assistant General Manager for two years and as General Manager for six years. From 1989 to 2006, he served as Vice Chairman of Fiba Holding. Between 2003 and 2007, he was a Board Member of the Turkish Industrialists' and Businessmen's Association (TUSIAD). From November 2006 until April 2010, Dr. Aras served as the Vice-Chairman of the Board of Directors of the Bank and Group CEO of the Bank, Finans Leasing, Finans Portfolio and Finansinvest. Since April 2010, Dr. Aras has been serving as the Chairman and Group CEO.

#### ***Vice Chairman and Executive Member***

##### *Sinan Şahinbaş - Vice Chairman of the Board of Directors*

Mr. Sinan Şahinbaş earned a bachelor's degree in civil engineering from İstanbul Technical University, Faculty of Engineering in 1988. Mr. Şahinbaş then received master's degrees in International Relations from İstanbul University and in Finance from Yeditepe University. He started his professional career at the Bank in 1990 and served in different positions in various departments of the Bank. He worked in the establishment of representative offices of Finansbank (Suisse) SA and Finansbank (Holland) NV in Turkey. In 1997, he was appointed Executive Vice President of Garanti Bank (Holland) NV. A year later, Mr. Şahinbaş moved back to Finansbank (Holland) NV and served as the General Manager between 1999 and 2001. He became Senior Executive Vice President at the Bank in 2001 and served as General Manager from 2003 to 2010. Mr. Şahinbaş was appointed Vice Chairman in April 2010.

#### ***Board Members***

##### *Prof. Dr. Mustafa Aydın Aysan - Member of the Board of Directors and Head of the Audit Committee*

After receiving his bachelor's degree from İstanbul University, Faculty of Economics, Prof. Mustafa Aydın Aysan earned a master's degree from Harvard University in 1959 and a PhD degree in 1974. Between 1968 and 2000, he taught at various universities in Turkey and abroad. Prof. Aysan served as the Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, as the Head of the Budget Committee of Turkish Republic Advisory Council in 1981 and as the Minister of Transportation from 1982 until 1983. Prof. Aysan is currently a Member of the Board of Directors and Head of the Audit Committee at the Bank.

##### *Paula Hadjisotiriou - Member of the Board of Directors*

Paula Hadjisotiriou was appointed the Group Chief Financial Officer of the NBG Group in July 2013. She is responsible for Group Financial Services, Group Taxation and Treasury Back Office. In November 2013, she was appointed as a Board Member of the Bank. During the period from 1990 to 2013 she worked in the Eurobank Group where she held the position of General Manager Finance & Strategy - Group Chief Financial Officer and was a member of the Executive Committee and the Strategy Planning Group and was the Board Secretary. She also has served as Deputy General Manager and Chief Financial Officer (Eurobank), Head of Finance and Control and Head of Internal Audit (Euromerchant Bank), Deputy General Manager of Internal Audit (John S. Latsis Group of Companies) and Senior Auditor (Price Waterhouse & Co., Pannell Fitzpatrick & Co.). Mrs. Hadjisotiriou is a Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales (ICAEW).

*Antonios Grammatikopoulos - Member of the Board of Directors*

Mr. Antonios Grammatikopoulos earned his bachelor's degree in Economics at Pace University in New York in 1980 and his master's degree in Banking from Adelphi University in 1982. Starting his banking career at Continental Illinois of Chicago in 1983, Mr. Grammatikopoulos worked at various foreign banks including National Westminster from 1986 to 1987, Investment Bank (Emporiki Group) from 1987 to 1988, ABN AMRO from 1988 to 1989 and Societe Generale from 1989 to 2012 as CIB officer and holding other executive positions. Mr. Grammatikopoulos joined NBG Group in January 2012 and was appointed Member of the Board of Directors and Head of Risk Committee of the Bank.

*Mustafa Hamdi Gürtin - Member of the Board of Directors*

After receiving bachelor's degrees in Statistics and Economics at Middle East Technical University, Mr. Hamdi Gürtin earned a master's degree in Economics from Vanderbilt University in the United States. Between 1975 and 1994, Mr. Gürtin worked for the Central Bank of the Republic of Turkey. Later he participated in the establishment of Garanti Securities and assumed the General Manager position. Subsequently, he served as the General Manager of Türk Ticaret Bankası, Member of the Board of Directors of Dışbank in charge of Risk and the General Manager and Chairman of the Black Sea Trade and Development Bank in Greece. He has been a Member of the Board of Directors at the Bank since April 2010.

*Temel Güzeloğlu - Member of the Board of Directors and General Manager*

Mr. Temel Güzeloğlu has bachelor's degrees in Electrical and Electronic Engineering and in Physics from Bosphorus University, a master's degree in Electrical and Computer Engineering from Northeastern University (Boston, Massachusetts), and an MBA from Bilgi University. Mr. Güzeloğlu worked as the Executive Vice President of the Bank in charge of Retail Banking until August 2008 and afterwards served as Executive Vice President in charge of Retail Banking and member of the Management Committee. He was appointed General Manager in April 2010.

*Christos Alexis Komninos - Member of the Board of Directors*

After graduating from the Chemical Engineering Department from İstanbul Technical University in 1971, Mr. Christos Alexis Komninos worked for Coca-Cola Greece as General Manager between 1972 and 1987. He moved to Coca-Cola Ireland as CEO in 1987. He returned to Greece in 1990, and served as CEO of Coca-Cola Greece until 2000. Mr. Komninos served as CEO and Chairman of Papastratos Cigarette Manufacturer between 2000 and 2004 and CEO of Shelman SA between 2005 and 2010. Mr. Komninos is a Member of the Board of Directors at various companies and joined the Bank in the same capacity on February 16, 2011.

*Dr. Paul Mylonas - Member of the Board of Directors*

Mr. Paul Mylonas holds a BSc degree in Applied Mathematics from Brown University, and MA and PhD degrees in Economics from Princeton University. Mr. Mylonas served as Assistant Professor in the Department of Economics at Boston University between the years of 1985 and 1987. From 1987 to 1995, he worked for IMF's Europe Desk as a Senior Economist in charge of Poland. Having also worked in the IMF Policy Development and Review Department from 1995 to 2000, he held the position of Senior Economist in charge of Greece and Spain in the Budget and Finance Division of Economics Department of the OECD. He also served as the OECD representative on the G-10 Secretariat during 1999 and 2000. Currently, Mr. Mylonas holds NBG's Chief Economist and General Manager of Strategy and International Activities positions; he also serves as the Secretary of the NBG Executive Committee and Member of the ALCO Committee. Mr. Mylonas was appointed Member of the Board of Directors of the Bank in April 2010.

*Ali Teoman Kerman - Member of the Board of Directors*

Mr. Kerman received his graduate degree in Economics from University of Hacettepe in 1980 and obtained post graduate degree in Project Planning and National Development from University of Bradford in 1982. He began his career at the Turkish Treasury where he held several positions including Deputy Under Secretary responsible from Regulation of Banking, Non-banking sector, Foreign Exchange, Insurance and Department of Administration. In 2000, he was appointed as the Vice President responsible from Regulation, Enforcement and Licensing of newly establishing Banking Regulation and

Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF) for three years and Chairman of the Board in Generali, EGE and Toprak Insurance Companies. Mr. Kerman retired in April 2005 and set up KDM Financial consultancy company. In April 2013, Mr. Kerman was appointed Member of the Board of Directors of the Bank.

*Ioannis Vagionitis – Member of the Board of Directors*

Mr. Ioannis Vagionitis graduated from Athens College and then received bachelor's and master's degrees in mechanical engineering from the University of Manchester Institute of Science & Technology and an MBA from Manchester Business School. He began his career in the securities field before joining HSBC's Athens operations, where he held various positions from 1992 to 2003. In 2004 he joined Bank of Cyprus' Athens office, then joined NBG in December 2004 as a Credit Risk Manager. After serving in this position for two years, Mr. Vagionitis became the Head of Corporate Credit, Greece, and in 2008 became Head of Corporate Credit, Greece and South Eastern Europe. In 2010 Mr. Vagionitis became the Head of Corporate Banking, a position he still holds. He was appointed as a Member of the Board of Directors in 2013.

*Stefanos Pantzopoulos - Member of the Board of Directors*

Mr. Stefanos Pantzopoulos graduated from İstanbul University with a bachelor's degree in Economics and Commercial Sciences. Stefanos Pantzopoulos began his career at chartered accountants with Chapman & Newbery in İstanbul. In 1965, he moved to Athens where he worked for 33 years for the accounting firm Arthur Andersen. For 23 years during this time he was an affiliate of the Andersen Worldwide Organization based in Chicago, and Chairman and CEO of the company's Greek office until 1998. During the period from 1999 to 2004, Mr. Pantzopoulos worked as a partner at KPMG, additionally he was a Member of the Board of Directors of Don & Low for two years and a Member of the Board of Director and Head of the Audit Committee of Hilton Hotel and Real Estate Co which are the two largest subsidiaries of Alpha Bank. Mr. Pantzopoulos was a Member of the Board of Directors of NBG from 2004 to 2010 and Chairman of the Audit Committee in 2009. From 2010 to 2011 he acted as an advisor to the Chairman of the Audit Committee. He was appointed a Member of the Board of Directors of the Bank in October 2012.

**Executive Vice Presidents, Heads of Divisions and Coordinators**

The Executive Vice Presidents, Heads of Divisions and Coordinators each report to the Chairman and Vice Chairman and are responsible for supervising and coordinating the activities of their respective units, monitoring progress with regard to the Bank's business targets and goals, approving expenditures, investments and financing within set limits and contributing to the Bank's management regarding the design of the Bank's strategy, setting targets for the Bank and drawing up an annual budget for their respective divisions.

<b>Executive Vice Presidents</b>	<b>Area of responsibility</b>
Hakan Alp.....	Human Resources
Emine Özlem Cinemre .....	International Division
Köksal Çoban .....	Treasury
Dr. Mehmet Kürşad Demirkol.....	Information Technologies, Process Management, Operations ADC
Saruhan Doğan .....	Cash Management, Trade Finance and Investment Banking
Tunç Erdal .....	Wealth Banking
Metin Karabiber.....	SME Banking and Agricultural Banking
Filiz Sonat.....	Credits
Hasan Murat Şakar .....	Purchasing and Technical Service
Adnan Menderes Yayla .....	Financial Control and Planning
Halim Ersun Bilgici .....	Retail and Commercial Credits
Levent Yörük.....	Alternative Sales Channels
Erkin Aydın .....	Consumer Banking and Payment Systems
Osman Ömür Tan .....	Corporate Banking and Commercial Banking
Şebnem Seniye Karaduman.....	Legal Affairs
Aytaç Aydın .....	Operations and Alternative Distribution

<b>Head of Divisions</b>	<b>Area of responsibility</b>
Ersin Emir.....	Internal Audit
Ahmet Erzenin.....	Head of Compliance Division and Internal Control
Zeynep Aydın Demirkıran.....	Risk Management
Bülent Yurdalan.....	Internal Systems

The business address of the Bank's Executive Vice Presidents, Heads of Divisions and Coordinators is Büyükdere Caddesi No: 129, 34394 Mecidiyeköy, İstanbul, Turkey. Set forth below is brief biographical information regarding the Bank's Executive Vice Presidents, Heads of Divisions and Coordinators who are not also directors.

#### ***Executive Vice Presidents***

##### *Hakan Alp*

Mr. Hakan Alp graduated from Ankara University, Faculty of Political Sciences, with a bachelor's degree in International Relations in 1989. He worked for the Internal Audit Department between 1991 and 1997 at Garanti Bank where he also served as Senior Vice President in charge of Training from 1997 until 1999. He then started working for Humanitas Doğuş Human Resources Management and served as Executive Vice President in charge of Training, Executive Development, Finance and Administration and Operations from 2000 to 2003. He held the position of Executive Vice President in charge of Human Resources from 2003 until 2005 at Tansaş and from 2005 to 2006 at Sütaş. In 2007, he became Senior Vice President in charge of Human Resources at the Bank. Mr. Alp was appointed Executive Vice President in charge of Human Resources as of June 2010.

##### *Emine Özlem Cinemre*

Mrs. Emine Özlem Cinemre graduated from Bosphorus University, Department of Business Administration in 1988. She started her career in the same year within the International Banking Division of the Bank. Between 1988 and 1997, Mrs. Cinemre assumed various responsibilities at the Bank. In 1997, she was appointed Executive Vice President responsible for Financial Institutions. Currently, Mrs. Cinemre serves as Executive Vice President in charge of International Relations, including Correspondent Banking, Structured Funding, International Business Development, Investor Relations, Financial Institutions and Credit Management.

##### *Köksal Çoban*

Mr. Köksal Çoban graduated from Middle East Technical University with a degree in Business Administration and earned a master's degree in Finance from City University. He worked for the Turkish Eximbank and Demirbank between 1995 and 1997. Mr. Çoban joined the Bank's Treasury in 1997 as International Markets Manager and served as Director of International Markets from 1998 to 2000. Beginning in 2000, he assumed various managerial positions within the Treasury Department. Mr. Çoban was appointed Executive Vice President in charge of Treasury in August 2008.

##### *Mehmet Kürşad Demirkol*

Mr. Mehmet Kürşad Demirkol graduated from the Faculty of Electrical and Electronics Engineering at Bilkent University in 1995 as student marshal and subsequently earned MSc and PhD degrees from Stanford University. He worked as an Application Engineer at Oracle-Redwood between 1996 and 1997 and as a Research Assistant at Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and İstanbul offices of McKinsey & Company from 1999 until 2003. Mr. Demirkol worked as the Group Head of Business Development and Strategy Department at the Bank between 2004 and 2005. He served as Vice President of Information Technology and Card Operations at Finansbank Russia in 2005. He then served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007. In 2007, he started working as Head of Information Technologies at Vakıfbank and was appointed Chief Information Officer of the bank in the same year. Additionally, he undertook the post of Chief Operating Officer in charge of Operations and Alternative Distribution Channels in 2008. Mr. Demirkol has worked at the Bank as Executive Vice President in charge of Information Technologies and Process Management since October 2010. From November 2011 he has served as the Executive Vice President in charge of IT and Operations.



#### *Saruhan Doğan*

Mr. Saruhan Doğan received a bachelor's degree in Economics from İstanbul University in 1990 and a master's degree in Economics from London School of Economics and Political Science in 1992. Mr. Doğan worked as Economist and Treasury Marketing Department Head at Citibank between 1992 and 1997. He served as the Head of the Treasury Sales Department at TEB from May 1997 to July 1998; Head of Treasury Research and the Sales Group at Alternatifbank between 1998 and 2004; Group Manager of the Treasury Department at the Bank from 2004 until 2007; and Executive Vice President in charge of Treasury at Deutsche Bank - Turkey from 2007 to 2008. Mr. Doğan rejoined the Bank in October 2009 as Executive Vice President in charge of Investment Banking. He was appointed as the Executive Vice President in charge of Cash Management, Trade Finance and Investment Banking in June 2012.

#### *Tunç Erdal*

Mr. Tunç Erdal earned a bachelor's degree in Industrial Engineering from Middle East Technical University in 1992. He started his professional career in 1993 within the Marketing Department of Ege Leasing A.Ş. Mr. Erdal then worked respectively as Dealer and Fixed Income Securities and Liquidity Desk Head at Alternatifbank from 1996 to 2003. Subsequently, he served as Investment Manager of the Department of Private Banking at Banque de Commerce et de Placement between 2003 and 2005. Mr. Erdal joined the Bank in 2005 as Group Manager of Treasury Research and Sales. He served as Executive Vice President in charge of Private Banking at the Bank from 2010 to 2013. Since June 2013, he has been the Executive Vice President responsible for Wealth Banking.

#### *Metin Karabiber*

Mr. Metin Karabiber graduated from Çukurova University, Industrial Engineering Department. He began his banking career as a Marketing Specialist at Interbank in 1985. He then worked as a Branch Manager at İktisat Bankası from 1990 to 1995, at Demirbank between 1995 and 1997 and at the Bank from 1997 until 1998. Mr. Karabiber served as Executive Vice President at Sümerbank during 1998 and 1999. Subsequently, he worked as Regional Manager at Fortis Bank between 1999 and 2003, and as Executive Vice President responsible for Retail Banking and Sales from 2003 to 2010. As of October 2010, Mr. Karabiber joined the Bank as Executive Vice President in charge of Commercial Banking. As of October 2013, he became the Executive Vice President responsible for SME Banking and Agricultural Banking.

#### *Filiz Sonat*

Ms. Filiz Sonat received bachelor's degrees in Mechanical Engineering from İstanbul Technical University and in Business Administration from Anadolu University. After working as a Mechanical Engineer at a private construction company between 1982 and 1986, she started her banking career at İktisat Bank in 1987 and served as Executive Vice President at Sümerbank in 1998. Ms. Sonat joined the Bank in 1999 and served as Coordinator in charge of Credits until 2007. She worked as Executive Vice President in charge of Corporate and Commercial Credits from 2007 until October 2013, when she became the Executive Vice President responsible for Credits.

#### *Hasan Murat Şakar*

Mr. Hasan Murat Şakar holds a bachelor's degree in Industrial Engineering from İstanbul Technical University. He worked as Business Unit Manager at Rehau Polimeri Kimya Sanayi from 2002 to 2005 and as Purchasing Manager at Arçelik between 1992 and 2002. Mr. Şakar served as the Coordinator of Purchasing and Technical Services at the Bank from March 2005 until August 2008. He was appointed Executive Vice President in charge of Purchasing and Technical Services at the Bank in August 2008.

#### *Adnan Menderes Yayla*

Mr. Adnan Menderes Yayla earned a bachelor's degree in Economics from Ankara University, Faculty of Political Sciences in 1985 and an MBA degree from the University of Illinois at Urbana-Champaign in 1994. He worked as an Assistant Auditor and Auditor for the Ministry of Finance from 1985 to 1995; Project Valuation Division Head for Privatization Administration from 1995 to 1996; Managing Director, Senior Managing Director and Partner of Pricewaterhouse Coopers offices in İstanbul and London from 1996 to 2000; and Executive Vice President in charge of

Financial Control and Risk Management for Türk Dış Ticaret Bankası (Fortis) from 2000 to 2008. Having joined the Bank in May 2008, Mr. Yayla has been serving as Group Chief Financial Officer since that time.

*Levent Yörük*

Mr. Levent Yörük, following his graduation from the Business Administration Department of the Military Academy in 1982, studied Finance at Koç University in 2012, Sales and Marketing at the University of Toronto in 1992 and Finance at Johns Hopkins University from 2001 until 2002. He served as a Military Officer in the Turkish Ground Forces Command between 1982 and 1991. Mr. Yörük then worked at American Life Insurance as the Sales Unit Manager from 1992 to 1996, and at various managerial positions in Citibank Turkey between 1996 and 2001. He worked in the United States at Citi Group - Citi Financial as Operations Director from 2001 to 2007. Mr. Yörük joined the Bank in August 2007 as Group Manager at Retail Banking Alternative Sales Channels. He was appointed Executive Vice President in 2010, and served as Executive Vice President in charge of Alternative Sales Channels and the Call Center. Since October 2013 he has been the Executive Vice President responsible for Alternative Sales Channels.

*Erkin Aydın*

Mr. Erkin Aydın earned a bachelor's degree in Civil Engineering at Bosphorus University, Faculty of Engineering in 1997 and an MBA at the University of Michigan, School of Business in 2003. Mr. Aydın started his career as a Business Development and Project Engineer at Guy F. Atkinson Construction in the USA in 1998. Later, he worked as a Project Manager for Clark Construction Group. In 2002, Mr. Aydın joined McKinsey & Company in İstanbul and worked respectively as Consultant, Project Manager and Associate Partner. He started to work for the Bank in 2008 as Head of Housing and Consumer Loans. As of February 2010, Mr. Aydın was appointed Retail Marketing Coordinator and in May 2011 he was appointed Executive Vice President in charge of Retail Banking. As of October 2013, he became the Executive Vice President responsible for Consumer Banking and Payment Systems.

*Osman Ömür Tan*

Mr. Osman Ömür Tan earned a bachelor's degree in Statistics from Hacettepe University. He began working at Yapı Kredi Bankası as a Management Trainee in 1995 and joined the Bank in 1998. At the Bank, he has served respectively as Corporate Branch Customer Relationship Manager, Corporate Branch Manager, Group Manager in charge of Head Office Key Accounts and Group Manager in charge of Corporate Banking. Mr. Tan was appointed Executive Vice President in charge of Corporate Banking, Structured Finance and Trade Finance in October 2011. From October 2013 he has been the Executive Vice President responsible for Corporate Banking and Commercial Banking.

*Şebnem Karaduman*

Mrs. Şebnem Karaduman received a bachelor's degree in Law from İstanbul University. She started her career as a Lawyer in the Legal Department at the Bank in 1998. Mrs. Karaduman was appointed as Legal Advisor to Fiba Bank in 2002 and worked in various positions within the Bank's Legal Department between 2003 and 2010. Mrs. Karaduman was assigned as the Legal Advisor of the Bank in 2010 and appointed Executive Vice President in charge of Legal Department in 2012.

*Halim Ersun Bilgici*

After receiving a bachelor's degree in Law from Ankara University in 1991, Mr. Halim Ersun Bilgici received a master's degree in Economics from Yeditepe University in 2008. He started his banking career at İktisat Bank in 1992. In 2002, he started working as the Coordinator of Retail Marketing at Şekerbank. Mr. Bilgici began working at the Bank's Credits Department in 2003. He was appointed Executive Vice President in charge of Retail Credits in 2013. As of October 2013 he has been the Executive Vice President responsible for Retail and Commercial Credits.

*Aytaç Aydın*

Mr. Aytaç Aydın received a bachelor's degree in Electrical and Electronics Engineering at Bosphorus University in 2000 and a master's degree in Electrical Engineering from Penn State University in 2001. He assumed managerial positions at Triquint Semiconductor between 2001 and 2005, and at McKinsey & Company from 2006 until 2008. After serving as

Head of Banking Operations at Vakıfbank, he joined the Bank in 2010 as Group Manager in charge of Information Technology Process Management. In November 2011, Mr. Aydın was appointed Coordinator of Operations and Alternative Distribution Channels. Mr. Aydın was assigned as the Executive Vice President of Operation and Alternative Distribution as of May 2013.

## **Heads of Divisions**

### *Ersin Emir - Head of Internal Audit*

Mr. Ersin Emir graduated from Middle East Technical University in 1994 with a bachelor's degree in Business; he earned a master's degree in Organizational Psychology from the University of London in 2010. He started his banking career in 1995 as Assistant Auditor in İşbank. Mr. Emir then started working at the Internal Audit Department of the Bank as Auditor in 1998. He was appointed Vice President of Internal Audit in 2004 and assumed responsibilities of the Head Office and Subsidiary Audits in the last two years in this capacity. Mr. Emir was appointed Head of Internal Audit in March 2011.

### *Ahmet Erzengin - Head of Internal Control and Compliance*

After graduating from Middle East Technical University, Department of Public Administration, Mr. Ahmet Erzengin worked at Pamukbank from 1988 to 1993. He joined the Bank in 1993 as Banking Regulations Manager. In 1996, Mr. Erzengin was appointed Head of Operations overseeing the operations of the branches and headquarters. With the establishment of the Head of Operations Center in 2001, he served as Operations Center until 2005. At the beginning of 2006, Mr. Erzengin assisted in the establishment of the Compliance Department and was appointed Head of Compliance. In September 2012, Mr. Erzengin was appointed Head of Internal Control and Compliance.

### *Zeynep Aydın Demirkıran - Head of Risk Management*

Mrs. Zeynep Aydın Demirkıran has a bachelor's degree in Economics from Bilkent University and master's degree in Economics from Georgetown University in Washington DC. She taught at Georgetown University until December 1998. Mrs. Demirkıran then worked as a Specialist within the Risk Management Department of Türkiye İş Bankası between 1999 and 2002. She joined the Bank in 2002 and assumed the responsibilities of Senior Risk Manager and Basel II Program Coordinator. In September 2011, Mrs. Demirkıran was appointed Head of Risk Management.

### *Bülent Yurdalan - Head of Internal System*

Mr. Bülent Yurdalan graduated from Eskişehir Economic and Commercial Sciences Academy Business Administration Department in 1980. After an employment of 5 years at Citibank-Turkey, Mr. Yurdalan joined the Bank in 1988 and was assigned to top level positions at the Credits, Audit, Treasury Operations and External Relations Departments of the Bank (and held similar positions at some other Fiba Group banks). Mr. Yurdalan was appointed as the Head of Internal Audit Division in 2003 and subsequently served as the Executive Vice President in charge of Retail Credits. In August 2013, he was assigned as the Head of Internal Systems.

## **Board Committees**

As of the date of this Base Prospectus, there are five committees established under the Board of Directors of the Bank.

*Audit Committee.* For a description of the Audit Committee, see “–Executive Committees of the Bank – Audit Committee.”

*Credit Committee.* The Credit Committee examines, evaluates and approves the loan limits that fall under the authority of the Board of Directors and the Credit Committee in keeping with the Bank's loan strategies and the relevant legislation. The Credit Committee also monitors the quality of the Bank's loan portfolio and takes part in and manages the release process for loans.

*Remuneration Committee.* The Remuneration Committee defines the remuneration and incentive policies for the Board of Directors and senior management and advises the Board of Directors on such matters in order to ensure the compliance of such policies with the Bank's ethical values, strategy implementation and targets.

*Risk Committee.* For a description of the Risk Committee, see "Risk Management – Risk Management Governance – The Group Risk Management Department."

*Corporate Governance Committee.* The Bank established a Corporate Governance Committee in 2005 to strengthen the Bank's corporate governance policies and its level of adherence to corporate governance principles and to submit proposals to the Board of Directors. The committee annually issues a report on the consistency with Corporate Governance Principles which is submitted to the General Assembly and is made available on the website of the Bank. See also "Corporate Governance."

## **Executive Committees of the Bank**

As of the date of this Base Prospectus, the Bank has seven executive committees.

*Credit Committee.* The mission of the Credit Committee is to examine, evaluate and approve the loan limits that fall under the authority of the Board of Directors and the Credit Committee in keeping with the Bank's loan strategies and the relevant legislation, to keep the quality of the Bank's loan portfolio under control and to take part in and manage the release process of loans within the framework of the risk/return relationship. The Credit Committee meets once each week.

*Audit Committee.* Pursuant to Article 24 of the Banking Law, the Audit Committee has been established to monitor, on behalf of the Board of Directors, the effectiveness and adequacy of the internal controls and procedures of the Bank and the functioning of these systems, together with the accounting and reporting systems, in accordance with applicable laws and regulations to monitor the integrity and reliability of information generated from those controls and procedures, to make the necessary preliminary evaluations required for selection of the independent external audit firms and rating, evaluation and outsourcing organizations by the Board of Directors, to regularly monitor the operations of such organizations selected by the Board of Directors with whom contracts are made, to ensure that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and coordinated with the internal audit activities of the Bank. The Audit Committee meets on a quarterly basis.

*Board Risk Committee.* The Board Risk Committee ("BRC") defines risk management policies and strategies, reviews risks to which the Bank is exposed to, monitors the implementation of risk management strategies and brings important risk issues to the attention of the Board. The BRC meets once each month.

*Asset / Liability Committee.* The ALCO proposes asset and liability management procedures and policies to the Board of Directors which are compatible with applicable laws and regulations. The ALCO is responsible for executing the policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice each month, reviews critical risk issues and determines the strategies for asset and liability management.

*Corporate Credit Policies Committee.* The Corporate Credit Policies Committee is responsible for defining corporate credit policies, continuously monitoring the quality of the Bank's non-retail credit portfolio and granting loans with the objective of maximizing the Bank's profitability within a risk-return framework. The Corporate Credit Policies Committee meets once each month.

*Retail Credit Policies Committee.* The Retail Credit Policies Committee is responsible for defining retail credit policies, continuously controlling the quality of the Bank's retail credits and credit cards portfolios and managing these portfolios with the objective of maximizing the Bank's profitability within a risk-return framework. The Retail Credit Policies Committee meets once each month.

*Operational Risk Management Committee.* The Operational Risk Management Committee defines operational risk policies, reviews operational risk issues and defines the necessary actions to minimize operational risks. The Operational Risk Management Committee meets on a quarterly basis.

## Corporate Governance

### *General*

The Bank's corporate governance practices meet the mandatory requirements imposed by the laws and regulations of Turkey, the BRSA, the CMB and other applicable regulations, as well as the articles of association of the Bank. The Bank's corporate governance practices are based upon best international practices and form a framework that seeks to ensure consistency and efficiency in the Board's practices and the governance of the Bank and the Group. The Bank's corporate governance practices also seek to ensure 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 the general corporate interest. For additional information, see "Risk Management – Risk Management Governance."

### *CMB Corporate Governance Principles*

On January 3, 2014, the CMB issued the Communiqué No. II-17.1 on Corporate Governance (as amended, the "*Corporate Governance Communiqué*") replacing the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 dated December 30, 2011. The Corporate Governance Communiqué provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul. The Bank is also subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB. As of the date of this Base Prospectus, the Bank complies with the mandatory principles under the Corporate Governance Communiqué.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalization and the market value of their free float shares, subject to recalculation on an annual basis. The Bank is classified as a "Tier II" company.

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

## Compensation

The members of the Board of Directors receive a fee for attending meetings of the Board of Directors. In 2011 and in 2012, this fee amounted to TL 272.7 thousand and TL 365.4 thousand, respectively, in the aggregate for all directors (TL 372.0 thousand for the first nine months of 2013). Members of the Board of Directors do not receive any additional compensation for acting as directors. However, certain directors are employees of the Bank and receive compensation for such employment.

In 2011 and 2012, a total of TL 11.5 million and TL 14.8 million, respectively, was paid to the Board members based upon their performance (TL 20.1 million for the first nine months of 2013). Loans extended to Board members and managers are limited under Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits. No members of the Board of Directors or any of the Bank's executive officers have any options in respect of the Bank's share capital.

Additionally, the amount of the salary, remuneration and expenses paid and benefits in kind granted to the Bank's senior management (Executive Vice Presidents, Head of Divisions and Coordinators) in 2011 and in 2012 was TL 22.4 million and TL 28.3 million, respectively (TL 22.7 million for the first nine months of 2013).

### **Conflicts of Interests**

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors, Executive Vice Presidents, Heads of Divisions or Coordinators and their respective private interests or other duties.

### **Auditors**

*Statutory Auditors.* The Turkish Commercial Code (Law No 6102), which entered into force on July 1, 2012, abolished the requirement for joint stock companies to have statutory auditors, which requirement had existed under the former Turkish Commercial Code (Law No. 6762) since 1956. As a result, Turkish joint stock companies were required to amend their articles of association to comply with the new provisions of the Turkish Commercial Code (Law No 6102) by July 1, 2013. At the General Assembly Meeting, dated March 28, 2013, as per the relevant provisions of the Banking Law and the Turkish Commercial Code (Law No 6102), Deloitte was appointed as the Independent Auditor of the Bank until the end of 2013 and, as per Article 399 of the Turkish Commercial Code (Law No 6102), Deloitte was appointed as the "group auditor" until the first ordinary General Assembly Meeting to be convened in 2014.

*External Auditors.* The BRSA and CMB regulations require the Bank to undergo an external audit on a quarterly basis. Under the BRSA regulations, the external audit firms and external auditors must fulfill certain requirements to be qualified as "independent." A bank may retain the independent audit services of the same external audit firm for a maximum of eight consecutive fiscal years. The same individual auditors are not permitted to carry out audit services for the same bank for more than seven consecutive fiscal years.

The BRSA Financial Statements for the Group for the years ended December 31, 2010, 2011 and 2012 incorporated into this Base Prospectus have been audited by Deloitte, independent auditor, as stated in their reports incorporated by reference herein. The BRSA Interim Financial Statements for the Group as of and for each of the nine month periods ended September 30, 2012 and 2013 have been reviewed by Deloitte, independent auditor, as stated in their reports incorporated by reference herein.

### **Internal Controls**

Pursuant to the Banking Law, banks must establish internal control, risk management and internal audit systems, including adequate number of supervisors, which must be in compliance with the scope and structure of their activities, covering all their branches and undertakings subject to consolidation in order to monitor and control the risks that they encounter.

## SHARE CAPITAL AND OWNERSHIP

### Share Capital

The Bank has adopted the authorized share capital system that, under Turkish law, allows the Bank to increase its issued share capital up to the authorized share capital amount upon resolution by its Board of Directors and without need for further shareholder approval. The authorized share capital of the Bank is TL 6,000.0 million, represented by 60,000 million registered ordinary shares, par value TL 0.10 each. As of the date of this Base Prospectus, the issued and paid-in share capital of the Bank is TL 2,700.0 million, consisting of 27,000,000,000 ordinary shares, each having a nominal value of TL 0.10. The total equity of the Bank as of September 30, 2013 amounted to TL 7,756.6 million. Pursuant to the Banking Law, the Bank's shares are issued in registered form.

### Ownership

The following table sets forth certain information with respect to the Bank's principal shareholders as of the date of this Base Prospectus.

<b>Name of owner</b>	<b>Number of shares</b>	<b>% of outstanding share capital</b>
National Bank of Greece <sup>(1)</sup> .....	20,851,623,786	77.23%
NBG Finance (Dollar) Plc .....	2,613,434, 446	9.68%
NBGI Holdings B.V. ....	2,132,999,612	7.90%
International Finance Corporation .....	1,350,000,000	5.00%
Borsa İstanbul free float .....	51,942,156	0.19%
<b>Total</b> .....	<b>27,000,000,000</b>	<b>100.00%</b>

- (1) In addition to 20,851,623,786 ordinary shares, National Bank of Greece owns 100 registered founder shares of the Bank, which were introduced and distributed when the Bank was incorporated. These founder shares do not have any voting rights but entitle the holders thereof to receive 10% of the Bank's statutory profit as a dividend, after the allocation of tax, legal reserves and a first dividend (5% of nominal share capital) to holders of ordinary shares.

### National Bank of Greece

#### Overview of the NBG Group

NBG, the oldest Greek bank, was founded in 1841 as a commercial bank. NBG, together with its subsidiaries and affiliates, make up one of the leading financial groups in Greece, providing a wide range of financial services, including retail (such as mortgage lending and consumer lending), commercial and investment banking services, brokerage, leasing, factoring, asset management and insurance. NBG has a substantial presence internationally, particularly in southeastern Europe (including, through the Group, Turkey) and the eastern Mediterranean.

NBG has been listed on the Athens Stock Exchange since the Athens Stock Exchange was founded in 1880 and has been listed on the New York Stock Exchange since October 1999. In the context of its strategic orientation towards southeastern Europe, NBG has acquired various banks in the region, including the Bank. As of September 30, 2013, the international network of the NBG Group comprised 1,231 branches (including foreign subsidiaries and bank branches in the United Kingdom, Egypt and Cyprus) and branches of subsidiaries, which offer traditional banking services and financial products and services. The NBG Group has eight commercial banking subsidiaries in Turkey (*i.e.*, the Bank), Bulgaria, Romania, the Former Yugoslav Republic of Macedonia, Serbia, Cyprus, Albania and South Africa. Furthermore, the NBG Group has a presence in Malta through its subsidiary NBG Bank (Malta) Ltd.

NBG is a financial institution operating subject to financial services laws, regulations, administrative actions and policies. More specifically, it operates in accordance with Greek Law 3601/2007, as currently applicable, on licensing, operation, supervision and control of credit institutions, Greek Law 3746/2009 on the Greek deposit and investment guarantee fund, Greek Law 3691/2008 on anti-money laundering provisions, Greek Law 3862/2010 on payment services and credit institutions and other relevant laws of Greece, each as amended and in force.

The regulation of the banking industry in Greece has changed in recent years, as Greek law has changed largely to comply with applicable EU directives. In August 2007, the EU directives 2006/48/EC and 2006/49/EC regarding the adoption of the revised Basel Capital Accord, known as Basel II, were incorporated into Greek law relating to the business of credit institutions and to the capital adequacy of investment firms and credit institutions. In 2008, the European Commission submitted a Proposal for a Directive of the European Parliament and the European Council amending Directives 2006/48/EC and 2006/49/EC regarding banks affiliated with central institutions, certain own funds items, large exposures, supervisory arrangements and crisis management, which led to the adoption of Directive 2009/111/EC of the European Parliament and of the Council, and Directives 2009/27/EC and 2009/83/EC (“CRD II”) as regards technical provisions concerning risk management. On November 24, 2010, EU Directive 2010/76/EC (“CRD III”) was issued amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitizations, and the supervisory review of remuneration policies. Furthermore, the European Parliament and the Council of Europe issued and published for consultation in May 2012 a new version of directive (CRR, CRD - known as CRD IV), which incorporates the amendments that have been proposed by the Basel Committee (Basel III). According to the documents the proposed changes shall be implemented gradually (“phase-in arrangements”) within the period from 2013 to 2019.

For the nine months ended September 30, 2013, the NBG Group’s profit for the period attributable to NBG equity shareholders was €262.3 million and as of such date its loans and advances to customers were €68.8 billion. The NBG Group’s total equity attributable to NBG shareholders as of September 30, 2013 was €6.8 billion and its *pro forma* capital adequacy ratio was 9.4%.

#### *Hellenic Republic Bank Support Plan*

In an effort to safeguard the Greek economy from the adverse effects of the international financial crisis, the Greek parliament approved a €28 billion bank support plan for Greek banks in November 2008 with the objective, among others, of strengthening Greek banks’ capital and liquidity positions. As of the date of this Base Prospectus, the Hellenic Republic directly owns all 270 million non-transferable redeemable preference shares issued by NBG under the capital facility of the bank support plan. This direct stake in NBG provides the Hellenic Republic with voting rights at the general meeting of preferred shareholders and requires the inclusion on the Board of Directors of NBG of a government-appointed representative, who attends the general meeting of ordinary shareholders of NBG. This representative has the ability to veto actions relating to the distribution of dividends and the remuneration of certain of NBG’s directors and senior management in certain circumstances. See “Risk Factors – Risks related to the Bank’s relationship with NBG – Potential Interference by the Hellenic Republic.”

#### *Adjustment Programs*

In March 2012, the Greek government agreed to a second adjustment program (the “*Second Adjustment Program*”), the term of which extends through 2015 and is jointly supported by the IMF and eurozone member states. The Second Adjustment Program replaced the original program of €110 billion, agreed in May 2010, for the period 2010-2013 and had the form of a cooperative package of IMF and eurozone member state funding. The international assistance loans disbursed under the original program amounted to €72.8 billion. Of this amount, €52.9 billion was sourced from eurozone member states and €19.9 billion from the IMF. In the Second Adjustment Program, for the years 2012 to 2015, eurozone member states through the EFSF and the IMF committed to the undisbursed amounts from the first program, plus an additional €130 billion, covering Greece’s expected funding needs fully for the four-year period. The IMF contribution of €28 billion is to be disbursed in 17 equal tranches over a four-year period ending in 2015. The Second Adjustment Program includes resources, on the order of €50 billion, to help Greek banks cope with the impact of the recession and of restructuring of government debt.

#### *Recapitalization Framework*

The Second Adjustment Program contains measures to protect the stability of the banking system by providing capital support. The HFSF, a fully-owned entity of the Greek government and funded by the government out of the resources available from the IMF and EU under the Second Adjustment Program, was established with a view to ensuring adequate capitalization of the banking system. If supervisory assessments conclude that a bank’s capital buffer might fall below adequate levels, then the existing shareholders will be invited to immediately bring additional capital or take capital support from the HFSF. Any shares held by the HFSF at the time it ceases its activities will be transferred to the Hellenic Republic. The amount of funds earmarked for the HFSF out of the Second Adjustment Program’s resources is €50 billion. The HFSF is



required to manage its participations in the banks with a view to safeguarding the value of its holdings, minimizing the risks for the Greek public and ensuring adequate competition in the Greek banking system.

The HFSF will decide on the procedure for disposing its shares at a time it deems appropriate, and in any case within five years of its participation in a bank's share capital increase. For a bank that is not able to raise at least 10% of its capital shortfall from the private sector, the HFSF has to dispose of its shares within two years from its participation in such bank's share capital increase, which may be extended for two further years by decision of the Minister of Finance.

The HFSF, following a decision by the Bank of Greece, will issue to credit institutions which have been deemed viable by the Bank of Greece and have submitted a request for recapitalization to the HFSF, a certificate by which the HFSF commits to participate in the share capital increase of such credit institutions for an amount determined by the Bank of Greece; *provided that*: (a) the business plan of the credit institution has been assessed by the Bank of Greece as viable and credible, (b) the above request has been approved by the Bank of Greece and notified to the European Commission and (c) the Bank of Greece considers the issuance of the certificate necessary for the smooth continuation of the credit institution's operation as a going concern and its attainment of the capital requirements in accordance with the decisions of the Bank of Greece, as well as for the maintenance of the stability of the Greek banking system.

On April 4, 2012, the Bank of Greece sent a letter to NBG by which it informed NBG that its capital adequacy ratio was below the acceptable level and therefore suggested that NBG should submit to the HFSF a request for capital support, along with a three-year business plan. Following receipt of this letter, NBG submitted the necessary documents and the HFSF provided NBG with a certificate by which it committed to participate in NBG's future share capital increase. On May 28, 2012, the HFSF contributed five series of EFSF bonds, maturing from 2018 to 2022, totaling €7,430.0 million, as an advance for its participation in NBG's planned share capital increase. NBG's share capital increase, which took place in June 2013, was completed through a share capital increase of €9.8 billion, of which €1.1 billion was contributed by private investors and €8.7 billion by the HFSF.

The HFSF participates in the Board of Directors of NBG through the appointment of a representative, who has veto power on, among other things, strategic decisions, decisions on management compensation and dividend distribution. For more detail on the risks and uncertainties relating to Greece's influence over NBG, see "Risk Factors – Risks related to the Bank's relationship with NBG – Potential Interference by the Hellenic Republic."

### ***International Finance Corporation***

The IFC was created in 1956 and is a member of the World Bank Group. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments. IFC's 182 member countries provide its capital, collectively determine its policies, and approve investments. IFC's member countries guide IFC's programs through their membership in a Board of Governors. IFC corporate powers are vested in the Board of Governors, which delegates most powers to a board of directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

### ***Agreements between NBG and the IFC***

#### ***Shareholders' Agreement***

In connection with the sale by NBG of ordinary shares amounting to 5% of the ordinary shares of the Bank (the "IFC Shares") to the IFC in 2007, NBG and the IFC entered into a shareholders' agreement dated March 29, 2007 (the "Shareholders' Agreement"). The Shareholders' Agreement contains agreements between NBG and the IFC with respect to, among other matters, the election of the members of the Bank's Board of Directors, certain special corporate governance provisions such as the right to approve various corporate decisions and actions, access to information, minimum ownership by NBG of the Bank's share capital and restrictions on the issuance or transfer of shares of the Bank by NBG or the IFC, including a right of first refusal, a tag-along right and a pre-emptive right. Pursuant to the Shareholders' Agreement, for so long as the IFC holds any IFC Shares or any other shares of the Bank that the IFC has subscribed or acquired after the closing of the sale of the IFC Shares, including as a result of preemptive rights, warrants or options accruing to it in relation to the IFC Shares or received as a result of stock splits or stock dividends or in exchange, replacement or substitution of IFC Shares (the "SA Option Shares") representing at least 5% of the ordinary share capital of the Bank, it has the right to nominate one

director who shall be elected to the Board of Directors of the Bank. The Shareholders' Agreement terminates when the IFC ceases to hold any SA Option Shares.

*Put and Call Option Agreement*

NBG and the IFC also entered into a put and call option agreement dated March 29, 2007 (the "*Put and Call Option Agreement*") in connection with the sale of the IFC Shares to the IFC. Pursuant to the Put and Call Option Agreement, the IFC has been granted an option to sell back to NBG (the "*put option*") all or part of the IFC Shares or any other shares of the Bank that the IFC owns that it has, among other matters, subscribed or acquired by as a result of preemptive rights, warrants or options accruing to it in relation to the IFC Shares or received as a result of stock splits or stock dividends or in exchange, replacement or substitution of IFC Shares (the "*PCOA Option Shares*"). NBG, on the other hand, has been granted the option to buy the all or part of the IFC Shares from the IFC (the "*call option*") under the Put and Call Option Agreement. The put option and call option are exercisable subject to the conditions set forth in the Put and Call Option Agreement and only during the respective pre-determined put option and call option periods. Further, under the terms of the Put and Call Option Agreement, the IFC can only sell the Bank's shares it owns to a third party if it has received a prior written consent to such transaction from NBG. The Put and Call Option Agreement terminates when the IFC ceases to hold any PCOA Option Shares.

## RELATED PARTY TRANSACTIONS

The Bank is controlled by NBG through its beneficial ownership of the Bank's ordinary shares, both directly and indirectly through NBG Finance (Dollar) Plc and NBG Holdings B.V. As of the date of this Base Prospectus, the NBG Group owns 94.8% of the Bank's outstanding shares. Set forth below is a summary of the Bank's material transactions and arrangements with NBG and its other related parties. See "Risk Factors – Risks related to the Bank's relationship with NBG – Potential Interference by the Hellenic Republic."

Turkish banking regulations limit exposure to related companies, and the Group's exposure to the NBG Group companies is within the limit permitted by the regulations. See "Turkish Regulatory Environment – Lending Limits."

The Group has entered into banking transactions with members of the Board of Directors and key management of the Bank and other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is presented under "Management - Board of Directors."

The following table sets forth information for the indicated periods on the Bank's volume of loans and other receivables with the Group's risk group and interest and commission income from the Bank's risk group during such period:

The Bank's Risk Group	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<i>(TL Thousands)</i>						
<b>Loans and Other Receivables</b>						
Balance at January 1, 2013 .....	-	-	-	29,498	-	-
Balance at September 30, 2013 .....	-	-	-	27,252	-	-
Interest and Commission Income for this period .....	-	-	1	2	-	-

The following sets forth information for the indicated periods on the volume of deposits provided to the Bank by such related parties and the amount of interest paid thereon during such periods:

The Bank's Risk Group	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
<i>(TL Thousands)</i>						
<b>Deposits</b>						
Balance at January 1, 2012 (for September 30, 2013) and January 1, 2011 (for December 31, 2012) .....	186,538	58,340	18,692	31,009	8,186	2,116
Balance at September 30, 2013 and December 31, 2012 (as applicable) .....	140,513	186,538	24,997	18,692	14,488	8,186
Interest on Deposits for the nine months ended <sup>(1)</sup> .....	94	4,759	-	-	395	-

<sup>(1)</sup> For the "December 31, 2012" columns, this reflects the interest on deposits for the nine months ended September 30, 2012.

Information on forward and option agreements and similar agreements made with the Bank's risk group during the same periods are set out below:

The Bank's Risk Group	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
<i>(TL Thousands)</i>						
<b>Transactions for Trading Purposes</b>						
Balance at January 1, 2012 (for September 30, 2013) and January 1, 2011 (for December 31, 2012).....	-	15,581	393,221	34,165	4,711	28,702
Balance at September 30, 2013 and December 31, 2012 (as applicable).....	-	-	491,381	393,221	233,878	4,711
Total Income/Loss for the nine months ended <sup>(1)</sup> .....	-	-	13,488	4,918	686	3,137
<b>Transactions for Hedging Purposes</b>						
Balance at January 1, 2012 (for September 30, 2013) and January 1, 2011 (for December 31, 2012).....	-	-	-	-	-	-
Balance at September 30, 2013 and December 31, 2012 (as applicable).....	-	-	-	-	-	-
Total Income/Loss for the nine months ended <sup>(1)</sup> .....	-	-	-	-	-	-

<sup>(1)</sup> For the "December 31, 2012" columns, this reflects the total income/loss for the nine months ended September 30, 2012.

## THE TURKISH BANKING SECTOR

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

### Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1980s. The abolition of directed credit policies, liberalization of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US\$4,916 million at the end of 2001 from US\$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilized since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatization of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilization Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; *however*, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from January 2, 2013 RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years increased from 0% to 1% and those with an average maturity of between two to three years increased from 0% to 0.5%, while those with an average maturity of three years or more remained at 0%. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fueled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers set the RUSF charged on consumer credits to be utilized by real persons (for non-commercial utilization) to be 15% with its decision numbered 2010/974, which was published in the Official Gazette dated October 28, 2010 and numbered 27743.

### The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on December 31, 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. In October 2012, Odea Bank A.Ş. commenced operations and Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. In December 2012, the Burgan Bank Group became Eurobank Tekfen Bank's majority shareholder with its acquisition of a 99.26% stake as a result of its purchase of shares previously belonging to Eurobank and Tekfen Holding. In January 2013, Eurobank Tekfen Bank began doing business under its new name, Burgan Bank A.Ş., following completion of formalities pertaining to the change of the bank's legal name. In addition, on December 20, 2012, the BRSA resolved to permit the establishment of a new deposit bank to be controlled by Bank of Tokyo-Mitsubishi UFJ Ltd, the operating license for which was given by the Banking Regulation and Supervision Board

decision in September 2013. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking system as of the end of each indicated year.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Number of banks.....	48	47	46	46	45	45	45	44	45	46

Source: Banks Association of Turkey (www.tbb.org.tr)

Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

As of December 31, 2013, 46 banks were operating in Turkey. Thirty-three of these were deposit-taking banks and the remaining banks were investment and development banks (four 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, 11 were private domestic banks, 18 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a compound average growth rate ("CAGR") of 18.7% from December 31, 2006 to September 30, 2013, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 24.5% and 16.8%, respectively, between December 31, 2006 and September 30, 2013, in each case according to the BRSA. Despite strong growth of loans and customer deposits since 2006, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 49.9% and 50.5%, respectively, as of December 31, 2012 according to BRSA data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 128.9% and 115.3%, respectively, as of the same date based upon the European Central Bank's data.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	<u>As of (or for the year ended) December 31,</u>							<u>As of (or for the nine months ended)</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>September 30, 2013</u>
	<i>(TL millions, except percentages)</i>							
<b>Balance sheet</b>								
Loans .....	202,467	262,572	338,091	355,285	479,018	621,379	716,307	889,781
Total assets.....	470,635	543,272	683,823	773,357	932,371	1,119,911	1,247,653	1,492,973
deposits .....	296,495	342,031	435,554	487,909	583,947	656,276	724,296	845,035
Shareholders' equity .....	50,409	64,533	72,060	93,833	114,979	123,007	157,553	161,781
<b>Income statement</b>								
Net Interest Income.....	19,607	23,978	28,245	38,758	35,895	36,056	47,837	39,431
Net Fees and Commission Income.....	6,420	7,894	9,611	10,846	11,459	13,345	14,704	12,997
Total income .....	33,414	39,744	45,339	57,275	58,955	61,669	73,831	62,660
Net Profit .....	10,243	13,468	11,851	18,490	20,518	18,177	21,539	18,054
<b>Key ratios</b>								
Loans/deposits .....	68.3%	76.8%	77.6%	72.8%	82.0%	94.7%	98.9%	108.3%
Net interest margin.....	5.1%	5.3%	5.1%	5.9%	4.7%	3.7%	4.4%	2.9%
Return on average equity .....	22.2%	26.6%	19.9%	25.5%	22.2%	16.8%	16.9%	12.0%
Capital adequacy ratio.....	19.9%	17.4%	16.6%	19.3%	17.7%	15.5%	17.3%	15.1%

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

## Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 89.7% of total assets of deposit-taking banks as of September 30, 2013 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks – Ziraat Bank, Halkbank and Vakıfbank, which were ranked second, sixth and seventh, respectively, in terms of total assets as of September 30, 2013 according to the bank-only financials published in the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). These three state-controlled banks accounted for 28.9% of deposit-taking Turkish banks’ performing loans and 35.4% of total deposits as of September 30, 2013. The top four privately-owned domestic banks are Türkiye İş Bankası A.Ş. (“*İşbank*”), Türkiye Garanti Bankası A.Ş. (“*Garanti*”), Akbank A.Ş. (“*Akbank*”) and Yapı ve Kredi Bankası A.Ş. (“*Yapı Kredi Bank*”), which in total accounted for approximately 48.55% of deposit-taking Turkish banks’ performing loans and approximately 48.8% of total deposits as of September 30, 2013. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely the Bank, Türk Ekonomi Bankası and Denizbank A.Ş. (“*Denizbank*”), which were controlled by NBG, TEB Holding and Sberbank, respectively, as of September 30, 2013 (the last date for which information is available as of the date of this Base Prospectus).

The following table shows major shareholders, key indicators and market shares of the top 10 deposit-taking banks ranked by total assets in the Turkish banking sector as of September 30, 2013.

Rank by Assets	Bank	Major Shareholders	Assets (US\$ millions)	Assets market share	Loans market share <sup>(1)</sup>	Deposits market share	Branches
1	İşbank	İşbank Personnel Supplementary Pension Fund (40.2%), Cumhuriyet Halk Partisi (28.1%)	100,363	13.7%	14.6%	14.2%	1,296
2	Ziraat Bank	Treasury (100%)	96,247	13.1%	11.1%	15.6%	1,613
3	Garanti	Doğuş Group (24.2%), BBVA (25.0%)	93,315	12.7%	12.4%	12.8%	974
4	Akbank	Sabancı Holding, affiliates and family (48.8%), Citigroup (9.9%)	88,612	12.1%	11.7%	12.2%	975
5	Yapı Kredi Bank	Koç Financial Services <sup>(2)</sup> (81.8%)	70,153	9.6%	9.9%	9.5%	939
6	Halkbank	Privatization Administration (51.1%)	63,160	8.6%	8.8%	10.7%	872
7	Vakıfbank	General Directorate of Foundations (58.5%)	62,415	8.5%	9.0%	9.1%	844
8	Finansbank	National Bank of Greece (94.8%)	30,979	4.2%	4.6%	4.5%	658
9	Denizbank	Sberbank (88.85%)	27,392	3.7%	4.1%	3.9%	680
10	Türk Ekonomi Bankası	TEB Holding (55.0%) <sup>(3)</sup> , BNP Paribas (40.8%)	25,275	3.4%	4.0%	3.9%	537

Source: Banks Association of Turkey ([www.tbb.org.tr](http://www.tbb.org.tr)) and BRSA ([www.bddk.org.tr](http://www.bddk.org.tr))

Note: Rankings and market shares among deposit-taking banks only.

Note: The Banks Association of Turkey’s definition of branch varies from the Bank’s definition. Therefore, the information provided above may differ slightly from what is provided elsewhere in this Base Prospectus.

(1) Performing loans only are included.

(2) Koç Financial Services is a joint venture of Koç Group, Unicredit Group and Temel Ticaret ve Yatırım A.Ş.

(3) TEB Holding is a 50/50 joint venture between BNPP Fortis Yatırım Holding A.Ş. and Çolakoğlu Group.

## **TURKISH REGULATORY ENVIRONMENT**

### **Regulatory Institutions**

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

#### *The Role of the BRSA*

In June 1999, the Banks Act No. 4389 established the BRSA, which is responsible for ensuring that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy.

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 authorized to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardize the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

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

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

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated June 28, 2012 and numbered 28337, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their organizations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

#### *The Role of the Central Bank*

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, maintenance of price stability and its 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 authorized and responsible institution for the implementation of such monetary policy.

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



## *Banks Association of Turkey*

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

## **Shareholdings**

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorization of the BRSA. In the absence of such authorization, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending general assemblies have obtained the applicable authorizations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorization as described in the preceding paragraph, then it is authorized 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 authorization by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

## **Lending Limits**

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

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognized as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either

individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the Banking Regulation and Supervisory Board's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

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

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

- (a) transactions backed by cash, cash-like instruments and accounts and precious metals,
- (b) transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatization Administration and the Housing Development Administration of Turkey and transactions carried out against bonds, bills and other securities issued by or payment of which is guaranteed by these institutions,
- (c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,
- (d) in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,
- (e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any payment,
- (f) transactions carried out among banks on the basis set out by the BRSA,
- (g) equity participations acquired through underwriting commitments in public offerings, provided that such participations are disposed of in a manner and at a time determined by the BRSA,
- (h) transactions that are taken into account as deductibles in calculation of own funds, and
- (i) other transactions to be determined by the BRSA.

### **Loan Loss Reserves**

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of

assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on November 1, 2006 and amended from time to time thereafter (the “*Regulation on Provisions and Classification of Loans and Receivables*”), banks are required to classify their loans and receivables into one of the following groups:

- (a) *Loans of a Standard Nature and Other Receivables*: This group involves loans and other receivables:
  - (i) that have been disbursed to natural persons and legal entities with financial creditworthiness,
  - (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,
  - (iii) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected, and
  - (iv) for which no weakening of the creditworthiness of the applicable debtor has been found.

The terms of a bank’s loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1% of the cash loan portfolio (except for export loans and SME loans, for which the general loan loss reserve is calculated at five times of 0% and 0.5%, respectively) is required to be set aside, and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short-term loan and the interest payments thereof are made in a timely manner; provided that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

- (b) *Loans and Other Receivables Under Close Monitoring*: This group involves loans and other receivables:
  - (i) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialization of the latter or significant financial risk carried by the person utilizing the loan,
  - (ii) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk,
  - (iii) that are very likely to be repaid but the due dates are delayed for more than 30 days for justifiable reasons but not falling within the scope of “Loans and other Receivables with Limited Recovery” set forth under Group III below, or
  - (iv) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor’s irregular and unmanageable cash flow.

If a loan customer has multiple loans and one of these loans is classified in Group II and others are classified in Group I, then all of such customer’s loans are required to be classified in Group II. The terms of a bank’s loans and

receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2% of the cash loan portfolio is required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; *provided* that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

- (c) *Loans and Other Receivables with Limited Recovery:* This group involves loans and other receivables:
  - (i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss,
  - (ii) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,
  - (iii) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date, or
  - (iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.
- (d) *Loans and Other Receivables with Suspicious Recovery:* This group involves loans and other receivables:
  - (i) that seem unlikely to be repaid or liquidated under existing conditions,
  - (ii) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement,
  - (iii) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or
  - (iv) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.
- (e) *Loans and Other Receivables Considered as Losses:* This group involves loans and other receivables:
  - (i) that are deemed to be uncollectible,
  - (ii) collection of whose principal or interest or both has been delayed by one year or more from the due date, or
  - (iii) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set

aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed.

The Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio (except for export loans and SME loans, for which the general loan loss reserve is calculated at 0% and 0.5%, respectively) *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (except for export loans and SME loans, for which general loan loss reserve is calculated at 0% and 0.1%, respectively) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio for closely-monitored loans. In addition, 25% of such rates will be applied for each check that remains uncollected for a period of five years after issuance. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 40% of the reserve amount calculated according to the above mentioned ratios had to be reserved by December 31, 2012, at least 60% had to be reserved by December 31, 2013, at least 80% shall be reserved by December 31, 2014 and 100% shall be reserved by December 31, 2015.

Banks with consumer loan ratios greater than 25% of their total loans and banks with non-performing consumer loan (classified as frozen receivables (excluding housing loans)) ratios greater than 8% of their total consumer loans (excluding housing loans) (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4% general provision for outstanding (but not yet due) consumer loans (excluding housing loans) under Group I, and an 8% general provision for outstanding (but not yet due) consumer loans (excluding housing loans) under Group II (the “*Consumer Loans Provisions*”).

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to banking regulations, a 0.3% general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of “Receivables from Derivative Financial Instruments” on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the “Regulation on Loan Transactions of Banks” (published in the Official Gazette No. 26333 on November 1, 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 75% less special provisions is set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the Bank at least five years previously; however, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as “frozen receivables.” If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

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

*Category I Collateral:* (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatization Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable

bank, (b) transactions executed with the Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatization Administration and transactions made against promissory notes, debenture bonds and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organization for Economic Co-operation and Development (the “OECD”), (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank, (f) sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds and debentures issued by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, and (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities.

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

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

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

<b>Category</b>	<b>Discount Rate</b>
Category I collateral .....	100%
Category II collateral .....	75%
Category III collateral .....	50%
Category IV collateral.....	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower’s failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower’s liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the next six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables are reclassified to the “Renewed/Restructured Loans Account.” The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; provided that at least 20% of the principal and other receivables are collected on a yearly basis.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries (such as the maritime industry) or countries (such as current rules that are in place for real persons or legal entities residing in or engaged in activities relating to Libya and Syria).

## Capital Adequacy

Article 45 of the Banking Law defines “Capital Adequacy” as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA’s regulations, cannot be less than 8%.

The BRSA is authorized 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. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8%. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

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

In addition, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated November 5, 2013 and numbered 28812, which regulations entered into force on January 1, 2014 (with the exception of certain provisions of the latter regulation that will enter into effect on January 1, 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks.

Under the 2013 Equity Regulation, debt instruments and their issuance premia can be included either in additional Tier I capital or in Tier II capital subject to certain conditions; *however*, such amount is required to be reduced by the amount of any cash credit extended to creditors holding 10% or more of such debt instruments of a bank (or to any person within such creditors’ risk group).

See also a discussion of the implementation of Basel III in “-Basel Committee - Basel III” below.

### *Tier II Rules under Turkish Law*

*Previous Tier II Rules.* Secondary subordinated debts were, through December 31, 2013, regulated under the 2006 Equity Regulation. The following in this section thus describes the rules previously applicable to the Bank’s secondary subordinated debts that were issued before January 1, 2014, which rules continue to apply to such subordinated debts notwithstanding the 2013 Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.*, the bank’s own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, “secondary subordinated loans” (which as defined can also include bonds) are listed as one of the items that constitute a bank’s supplementary capital (*i.e.*, “Tier II” capital); *however*, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such “secondary subordinated loans.” Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of “Tier I” capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of “Tier I” capital is not taken into consideration in the calculation of “Tier II” capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in

the calculation of the “Tier II” capital would be reduced by 20% per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of “Tier II” capital. Any cash credits extended by the bank to the provider(s) of the “secondary subordinated loans” (if debt instruments, to the investor(s) holding 10% or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier II capital. A secondary subordinated debt is taken into account in the calculation of “Tier II” capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a “secondary subordinated loan.” In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarized copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original to be made after receipt of the BRSA’s consent). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

(a) the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period,

(b) there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined,

(c) the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts,

(d) it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank,

(e) it must be utilized as one single drawdown if utilized in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument, and

(f) payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of “Tier II” capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilization), they would be required to apply for the BRSA’s permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank’s credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.*, not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

Subordinated debt instruments that do not meet the New Tier II Conditions described below as of January 1, 2014 are not required to meet such conditions or otherwise become subject to such conditions (*e.g.*, they are not subject to the new loss absorbency rules); *however*, the issuing bank will be permitted to take them into account for equity calculation only after reducing their nominal amount over the total amount of the Tier II instruments by 10% each year effective from January 1,



2015. Additionally, debt instruments that provide for an increase in interest rate after January 1, 2015 shall not be taken into account in equity calculations as of the date of increase.

*New Tier II Rules.* According to the 2013 Equity Regulation, which came into force on January 1, 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments that are not to be included in Tier I capital and have been approved by the BRSA upon the application of board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with conditions set forth below (the “*New Tier II Conditions*”):

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

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

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

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

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

(i) the bank should not create any market expectation that the option will be exercised by the bank,

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank’s ability to sustain its operations, or

(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (B) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (C) the higher capital requirement set by the BRSA (if any);

*however*, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide investors with the right to demand early amortization except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument’s dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank’s operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, temporary or permanent removal of the debt instrument from the bank’s records or the debt instrument’s conversion to share certificates would be possible if the BRSA so decides, and

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance and registration with the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions in Tier II capital such that the portion of the general provisions that exceeds 125 parts per 10,000 of the amount used as a basis for credit risk is not taken into consideration in calculating the Tier II capital.

Furthermore, in addition to the New Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument.

Applications to include debt instruments or loans into Tier II capital shall be accompanied with the original copy or a notarized copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of a copy of its original to be made after receipt of the BRSA's consent). If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı izahnamesi*), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20% each year.

#### *Basel Committee*

**Basel II.** The most significant difference between the capital adequacy regulations in place before July 1, 2012 and the new Basel II regulations is the calculation of risk-weighted assets related to credit risk. The new 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 will largely stem from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey (*i.e.*, the "Turkish National Discretion") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Central Bank will have a 0% 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. The BRSA has announced that the migration from the previous regime to Basel II regulations has had an effect of an approximately 0.20% decline in the capital adequacy levels of the Turkish banking system as of July 31, 2012. This figure is consistent with the Bank's own experience (with its capital adequacy actually increasing slightly due to its diversified portfolio of retail loans, which benefit from certain preferential capital treatments) and thus no additional capital needs are projected for the Bank in the short term due to this change in the regulatory capital adequacy framework.

**Basel III.** In the future, Turkish banks' capital adequacy requirements may be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated September 5, 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which entered into effect on January 1, 2014. The 2013 Equity Regulation introduces 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%) and a minimum Tier I capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which

are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) change the risk weights of certain items that are categorized under “other assets.” The 2013 Equity Regulation has also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital 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 regulation 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 the Official Gazette dated November 5, 2013 and numbered 28812 and entered into effect on January 1, 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that will enter into effect on January 1, 2015. Lastly, in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a draft regulation on a liquidity coverage ratio. Turkish banks’ capital adequacy requirement will be further affected by the January 1, 2014 commencement of certain Basel III requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

### 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.

As of the date of this Base Prospectus, the reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

<b>Category of Foreign Currency Liabilities</b>	<b>Required Reserve Ratio</b>
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to 1-month, 3-month, 6-month and 1-year maturities.....	13%
Deposit/participation accounts with maturities of 1-year and longer.....	9%
Other liabilities up to 1-year maturity (including 1-year) .....	13%
Other liabilities up to 3-year maturity (including 3-year) .....	11%
Other liabilities longer than 3-year maturity .....	6%

As of the date of this Base Prospectus, the reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

<b>Category of Turkish Lira Liabilities</b>	<b>Required Reserve Ratio</b>
Demand deposits, notice deposits and private current accounts .....	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month).....	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month).....	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month).....	8.5%
Deposits/participation accounts up to 1-year maturity .....	6.5%
Deposits/participation accounts with maturities of 1-year and longer .....	5%
Other liabilities up to 1-year maturity (including 1-year) .....	11.5%
Other liabilities up to 3-years maturity (including 3-years) .....	8%
Other liabilities longer than 3-year maturity .....	5%

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. Dollars and/or Euro and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. Dollar-denominated liabilities in U.S. Dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements entered into force on January 17, 2014, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- (a) its total liabilities,
- (b) its total non-cash loans and obligations,
- (c) its revocable commitments *multiplied by 0.1*,
- (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate,
- and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

<b>Calculation Period for the Leverage Ratio</b>	<b>Leverage Ratio</b>	<b>Additional Reserve Requirement</b>
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

According to the Regulation on the Measurement and Evaluation of the Liquidity Adequacy of Banks issued by the BRSA and announced in the Official Gazette dated November 1, 2006 and numbered 26333, the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. On a weekly basis, a bank must maintain: (a) a 100% liquidity adequacy ratio for the first maturity period (assets and liabilities maturing within seven days are taken into account in calculations on a weekly average as defined by the regulation) and the second maturity period (assets and liabilities maturing within 31 days of the last working day are taken into account) on an aggregate basis and (b) a 80% liquidity adequacy ratio on a foreign currency-only basis.

## **Foreign Exchange Requirements**

According to a regulation on foreign exchange net position/capital base issued by the BRSA and published in the Official Gazette dated November 1, 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

## **Audit of Banks**

According to Article 24 of the Banking Law, banks' boards of directors are 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 Authorization and Activities of Institutions to Perform External Audit in Banks, published in the Official Gazette on November 1, 2006 and numbered 26333. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Regulation on the Internal System of Banks published in the Official Gazette No. 28337, dated June 28, 2012, new standards as to principles of internal audit and risk management systems were established in order to bring such standards into compliance with Basel II requirements.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

## **The 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 authorized to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the

shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, Banking Regulation and Supervision Board and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the Banking Regulation and Supervision Board.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorization from the Undersecretariat of the Treasury or (ii) the Undersecretariat of the Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Code No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since February 15, 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 March 25, 2006 and numbered 26119 are as follows:

- (i) ensuring the enforcement of the SDIF board's decisions,
- (ii) establishing the human resources policies of the SDIF,
- (iii) becoming members of international financial, economic and professional organizations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorized bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,
- (iv) insuring the savings deposits and participation accounts in the credit institutions,
- (v) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, BRSA and Treasury Undersecretaries, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,
- (vi) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose operating permission has been revoked,
- (vii) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,
- (viii) taking management and control of the banks whose operating permission has been revoked and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,
- (ix) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,
- (x) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and
- (xi) fulfilling the other duties that the Banking Law and other related legislation assign to it.

### **Cancellation of Banking License**

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- 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 BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or
- 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 getting a favorable result, then the BRSA 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 BRSA,
- 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 BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing, and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to getting a favorable result, then the BRSA may require such bank to:

- limit or cease its business or the business of the whole organization, 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 utilization,
- remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,
- 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 several banks,
- 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 BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardize the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilized such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardized the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the

purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; provided that any loss is deducted from the share capital of current shareholders.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license is revoked.

## **Annual Reporting**

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports include the following information: management and organization structures, human resources, activities, financial situations, 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 authorized to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks must submit a 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 a soft 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. Besides they must publish them on their websites by the end of May following the end of the relevant fiscal year.

## **Disclosure of Financial Statements**

With the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated June 28, 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market,

currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (inter alia) securitization transactions and investments in quoted stocks.

### **Financial Services Fee**

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

### **Anti-Money Laundering**

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime. See “Risk Factors – Risks related to Turkey – Combating the Financing of Terrorism.”

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.

### **New Consumer Loan, Provisioning and Credit Card Regulations**

On October 8, 2013 the BRSA introduced new regulations that aim to limit the expansion of individual loans (especially credit card installments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders’ income levels before each limit increase of the credit card, (d) increase the risk weight for installment payments of credit cards with a term: (i) between one and six months from 75% to 100%, (ii) between six and twelve months from 150% to 200% and (iii) greater than 12 months from 200% to 250% and (e) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer’s monthly income. In addition, after January 1, 2014, minimum payment ratios for credit card limits up to TL 20,000 will be incrementally increased to ratios between 30% and 40% until January 1, 2015. These new regulations might result in slowing the growth and/or reducing the profitability of the Bank’s credit card business.

The Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated October 8, 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans provided for export purposes and obtained by SMEs: (a) for cash export loans and non-cash export loans, from 1% and 0.2%, respectively, to 0%, (b) for cash SME loans and non-cash SME loans, from 1% and 0.2% to 0.5% and 0.1%, respectively, (c) for cash export loans whose loan conditions will be amended in order to extend the first payment schedule, from 5% to 0%, and (d) for cash SME loans whose loan conditions will be amended in order to extend the first payment schedule, from 5% to 2.5%. In addition, this regulation altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20% to 25% and (ii) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8%, which ratio was not altered by these amendments, additional consumer loans provisions are required). Credit cards are included in the definition of consumer loans by this regulation and the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) increased from 1% and 2% to 4% and 8%, respectively.

The BRSA, by the Regulation Amending the Regulation on Banking Cards and Credit Cards published in the Official Gazette dated December 31, 2013 and numbered 28868 (entering into force on February 1, 2014), has adopted limitations on installments of credit cards. Pursuant to such limitations, the installments for purchase of goods and services

and cash withdrawals is not permitted to exceed nine months. In addition, in respect of telecommunication and jewelry expenditures and food, nutriment and fuel oil purchases, credit cards may not provide for installment payments.

On December 31, 2013, the BRSA adopted new rules on loan to value and installments of certain types of loans. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses and for financial lease transactions is 75%. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions, the loan-to-value requirement is set at 70%; *provided* that in each case the sale price of the respective auto is not higher than TL 50,000. On the other hand, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%. As for limitations regarding installments, the maturity of consumer loans (other than loans extended for housing finance and other real estate finance loans) are not permitted to exceed 36 months, while auto loans and loans secured by autos may not have a maturity longer than 48 months. Provisions regarding the minimum loan-to-value requirement for auto loans enter into force on February 1, 2014 and the other provisions of this amendment entered into force on December 31, 2013.

## 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, Clearstream, Luxembourg or Euroclear (together, the “*Clearing Systems*”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank’s management believes to be reliable, but neither the Bank nor any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

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.

According to the Communiqué on Debt Instruments, Notes issued outside of Turkey are required to be in electronically registered form and the interests therein recorded in the CRA in Turkey. Notes can also be recorded collectively with the CRA without being registered in the name of individual holders, depending on whether the Issuer or any relevant CRA member qualifies for such collective recording of the Notes; *however*, upon the Issuer’s request, the CMB may resolve to exempt the Notes from these requirements if the Notes are to be issued outside Turkey. The Bank submitted an exemption request through its letter to the CMB and such exemption was granted by the CMB in its letter to the Bank dated November 14, 2013 numbered 29833736-105.03.01-3471. As a result, this requirement will not be applicable to the Notes to be issued pursuant to the CMB Approval of May 3, 2013 (and also the CMB Approval of November 28, 2013, which allows the issuance of Notes having a maturity of less than one year under the CMB Approval of May 3, 2013). Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the issue date of a Tranche of the Notes, of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

### Book-entry Systems

#### *DTC*

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized 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 organizations. DTC is owned by a number of its Direct Participants and by NYSE Euronext and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*” and, together with Direct Participants, “*Participants*”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “*DTC Rules*”), DTC makes book-entry transfers of notes among Direct Participants on whose behalf it acts with respect to notes accepted into DTC’s book-entry settlement system (“*DTC Notes*”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes (“*DTC 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 DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold interests in DTC Notes through Participants will not possess Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect to 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 DTC Beneficial Owner is in turn to be recorded on the relevant Direct Participant’s and Indirect Participant’s records. DTC Beneficial Owners will not receive written

confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the DTC Beneficial Owner holds its interest in the DTC 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 DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; 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 DTC Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit accounts of Direct Participants' on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, subject to the receipt of funds and corresponding detail information from the Issuer or the relevant Paying Agent. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

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

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any DTC Beneficial Owner desiring to pledge its interests in DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants.

#### *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 recognized 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 the Notes through the Clearstream, Luxembourg system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Clearstream, Luxembourg accountholders.

Distributions with respect to interests in the Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg accountholders in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

#### *Euroclear*

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with accountholders in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Euroclear system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Euroclear accountholders.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to cash accounts of Euroclear accountholders in accordance with its rules and procedures, to the extent received by Euroclear.

#### **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 individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer or investor. Interests in such a Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to accountholders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg accountholders) and the records of direct Euroclear and/or Clearstream, Luxembourg accountholders (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg accountholders).

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 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 and Indirect Participants (with respect to 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.

Payments in U.S. Dollars of principal and interest in respect of a Global Note will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Note. The Issuer expects DTC, Clearstream, Luxembourg and Euroclear to credit accounts of their respective direct accountholders on the applicable payment date. The Issuer also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such Clearing Systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such Clearing System, and will be the responsibility of such direct participant and not the responsibility of such Clearing System, the Fiscal Agent, any Paying Agent, the Registrar or the Bank. Payments of principal and interest on the Notes to a Clearing System (or its nominee) are 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, Clearstream, Luxembourg or Euroclear, as applicable, 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 "Transfer and Selling Restrictions," cross-market transfers between DTC Participants, on the one hand, and Clearstream, Luxembourg and Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("*Custodian*") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Tranche, transfers of Notes of such Tranche between 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 accountholders of DTC, Clearstream, Luxembourg and Euroclear; *however*, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents nor any Dealer



will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of such laws, or the laws of other jurisdictions (such as United Kingdom or U.S. tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

**Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

### Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to persons who are not tax resident in Turkey.

The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law 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% withholding tax for notes with an original maturity of less than one year,
- 7% withholding tax for notes with an original maturity of at least one year and less than three years,
- 3% withholding tax for notes with an original maturity of at least three years and less than five years, and
- 0% withholding tax for notes with an original maturity of five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; *however*, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish 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% and 0% (inclusive) 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 relevant jurisdiction 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 jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction 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.

#### **U.S. Foreign Account Tax Compliance Act**

FATCA generally imposes a withholding tax of 30% on certain payments to and from certain non-U.S. financial institutions (including entities such as the Bank). Among other requirements, a “foreign financial institution” as defined under the Code (an “*FFI*”), such as the Bank, that opts in to comply with FATCA will be required to enter into an agreement (an “*FFI Agreement*”) with the U.S. Internal Revenue Service (the “*IRS*”). Such an agreement will require the provision of certain information regarding the FFI’s “U.S. account holders” (which could include holders of the Notes) to the IRS. The Bank may opt into the FATCA information reporting regime, and it may be required to collect information regarding the identities of holders of its Notes and deliver such information to the IRS.

In such case, holders of the Notes may be required to provide the Bank with certain information, including, but not limited to: (a) information for the Bank to determine whether the beneficial owner of a note is a United States person as defined in Section 7701(a)(30) of the Code or a United States owned foreign entity as described in Section 1471(d)(3) of the Code and any additional information that the Bank or its agent requests in connection with FATCA and (b)(i) if the beneficial owner of a Note is a United States person, such United States person’s name, address and U.S. taxpayer identification number, or (ii) if the beneficial owner of the note is a United States owned foreign entity, the name, address and taxpayer

identification number of each of its substantial United States owners as defined in Section 1473(2) of the Code and any other information requested by the Bank or its agent upon request, and (c) updated information promptly upon learning that any such information previously provided is obsolete or incorrect.

The Bank may be required to withhold up to 30% of amounts payable with respect to Notes issued to holders that do not provide the Bank with information required to comply with FATCA (“*Recalcitrant Holders*”) or to FFIs that either do not enter into an FFI Agreement with the IRS under FATCA (“*Nonparticipating FFIs*”) or are not otherwise exempt from or in deemed compliance with FATCA, if such amounts constitute foreign passthru payments (“*Foreign Passthru Payments*”) under FATCA, which term is not yet defined. Such withholding is generally not required on payments made before the later of January 1, 2017 or the date of publication of final regulations defining Foreign Passthru Payments. Additionally, FATCA withholding on Foreign Passthru Payments will only apply to Notes that are issued after the date (the “*Grandfathering Date*”) that is six months after the date of filing of final regulations defining Foreign Passthru Payments or are issued before and are significantly modified after the Grandfathering Date such that they are deemed to be reissued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “*IGA*”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “Reporting FI” not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes (unless it has agreed to do so under the U.S. “qualified intermediary,” “withholding foreign partnership” or “withholding foreign trust” regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If FATCA were to require that an amount in respect of U.S. withholding tax were to be deducted or withheld from any payment on or with respect to any Notes, then neither the Bank nor any paying agent or other person would, pursuant to the conditions of such Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of Notes should consult their tax advisers regarding the effect, if any, of FATCA on their investment in such Notes.

## **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state; *however*, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (for example, a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from January 1, 2015 in favor of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to such Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

## **The Proposed Financial Transactions Tax**

The European Commission has published a proposal for a Directive for a common financial transactions tax (“*FTT*”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under current proposals 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 and is the subject of legal challenge. It may therefore be materially altered prior to any implementation, the timing of which remains unclear, and the extent to which it may ultimately apply (if at all) to dealings in the Notes is uncertain. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## **CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS**

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold “plan assets” of the foregoing (each, a “*Plan*”). Section 406 of ERISA and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a “*Benefit Plan Investor*”) from engaging in certain transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan Investor. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such plans may be subject to similar restrictions under applicable state, local, other federal or non-U.S. law (“*Similar Law*”).

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption (“*PTCE*”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Note (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, a U.S. governmental plan, church plan or non-U.S. plan that is subject to Similar Law, or (b) the acquisition of the Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the acquisition, ownership or disposition of the Notes (or a beneficial interests therein).

## SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (the “*Programme Agreement*”) dated February 5, 2014, agreed (or, when acceding thereto, will agree) with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes (or beneficial interests therein). 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 Program and the issue of Notes under the Program and to indemnify the Dealers against certain losses, claims, costs, expenses, damages, demands or liabilities incurred by them in connection therewith.

In connection with any offering of Notes, one or more Dealer(s) may purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Dealer(s) in an offering, which creates a short position for the applicable Dealer(s). Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The applicable Dealer(s) may conduct these transactions in the over-the-counter market or otherwise. If a Dealer commences any of these transactions, it may discontinue them at any time. Under U.K. laws and regulations stabilizing activities may only be carried on by the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

All or certain of the Dealers, the Arranger 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, the Arranger or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers, the Arranger or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Dealers, the Arranger and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Dealers, the Arranger 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 Bank. In addition, certain of the Dealers, the Arranger and/or their respective affiliates hedge their credit exposure to the Bank pursuant to their customary risk management policies. These hedging activities could have an adverse affect on the future trading prices of the Notes.

The Dealers, the Arranger and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

## TRANSFER AND SELLING RESTRICTIONS

### *Transfer Restrictions*

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

Pursuant to the BRSA decision dated May 6, 2010 No. 3665, the BRSA decision dated September 30, 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira offshore on an unsolicited (reverse inquiry) basis in the secondary markets only and (b) may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira 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 (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through banks.

The Bank has not registered the Notes under the Securities Act or under the securities laws of any state or other jurisdiction of the United States and, therefore, the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with all applicable securities laws of any State of the United States and any other jurisdiction. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in compliance with Rule 144A under the Securities Act, (b) to Institutional Accredited Investors who have delivered an IAI Investment Letter and (c) to non-US persons in offshore transactions in compliance with Regulation S.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form (or *vice versa*) will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption from the registration requirements thereof or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.
- (b) Such investor is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank’s behalf, and such investor is either: (i) a QIB and is aware that any sale of Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB, (ii) an Institutional Accredited Investor that has delivered an IAI Investment Letter or (iii) not a “U.S. Person” or purchasing for the account or benefit of a U.S. Person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S.
- (c) Such investor acknowledges that none of the Bank or the Dealers, or any person representing the Bank or the Dealers, has made any representation to it with respect to the Bank or the offer or sale of any of the Notes, other than the information contained in this Base Prospectus or any applicable supplements hereto, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Notes. Such investor acknowledges that the Dealers make no representation or warranty as to the accuracy or completeness of this Base Prospectus. Such investor has had access to such financial and other information concerning the Bank



and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Bank and the Dealers.

- (d) Such investor is investing in the Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other law.

With respect to the Rule 144A Global Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Rule 144A Global Note (or a beneficial interest therein), and each subsequent investor in a Rule 144A Global Note by its acceptance thereof (or of a beneficial interest therein) will agree (or will be deemed to agree), to offer, sell or otherwise transfer such Notes prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the applicable Issue Date and the last date on which the Bank or any affiliate of the Bank was the owner of such Rule 144A Global Note (or any predecessor thereto), or (ii) such later date, if any, as may be required by applicable law (the “*Resale Restriction Termination Date*”), only: (A) to the Bank, (B) pursuant to a registration statement that has been declared effective under the Securities Act, (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A, (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, and, in each case, in compliance with the relevant securities laws of any applicable jurisdiction. The foregoing restrictions on resale will not apply after the applicable Resale Restriction Termination Date; *however*, any resale of the Notes thereafter will continue to need to comply with all applicable laws. Such investor acknowledges that the Bank reserves the right prior to any offer, sale or other transfer of a Rule 144A Global Note pursuant to clause (D) or (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

With respect to the Regulation S Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Regulation S Note, that no offer, sale, pledge or other transfer made during the applicable Distribution Compliance Period (*i.e.*, prior to the date 40 days after the closing date of the applicable offering) shall be made to (or for the account or benefit of) a U.S. Person (other than a distributor).

“*Distribution Compliance Period*” means, with respect to a Tranche of Notes sold (or a portion of which was sold) in its initial distribution in reliance upon Regulation S, the period that ends 40 days after the completion of the distribution of such Tranche of Notes, as certified to the Issuer by the relevant Dealer(s).

- (e) Each Note issued pursuant to Rule 144A will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions):

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OR ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS SECURITY NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF, THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION.

THE HOLDER OF THIS SECURITY (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYER(S), (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR

ACCOUNT FOR WHICH IT HAS PURCHASED THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT PRIOR TO: (i) THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ISSUE DATE OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE “*RESALE RESTRICTION TERMINATION DATE*”), OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE SECURITIES LAWS OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY. THIS PARAGRAPH OF THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERM “OFFSHORE TRANSACTION” HAS THE MEANING GIVEN TO IT BY REGULATION S UNDER THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN §3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“*ERISA*”), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY “PLAN” AS DEFINED IN AND SUBJECT TO §4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “*CODE*”), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO §406 OF ERISA OR §4975 OF THE CODE (“*SIMILAR LAW*”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR §4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Each IAI Registered Note will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions):

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OR ANY SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF: (a) IN THE UNITED STATES IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (b) IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION.

THE HOLDER OF THIS SECURITY (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS AN “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT IS AN INSTITUTION, (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT PRIOR TO: (i) THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ISSUE DATE OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE “*RESALE RESTRICTION TERMINATION DATE*”), OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY APPLICABLE JURISDICTION; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY. THIS PARAGRAPH OF THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERM “OFFSHORE TRANSACTION” HAS THE MEANING GIVEN TO IT BY REGULATION S UNDER THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN §3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“*ERISA*”), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY “PLAN” AS DEFINED IN AND SUBJECT TO §4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “*CODE*”), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO §406 OF ERISA OR §4975 OF THE CODE (“*SIMILAR LAW*”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR §4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Each Regulation S Note will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions):

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OR ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF: (a) IN THE UNITED STATES IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE

TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (b) IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER OF THIS SECURITY (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS PURCHASING THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION MADE PRIOR TO THE DATE 40 DAYS AFTER THE ISSUE DATE SHALL BE MADE TO A U.S. PERSON AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT OR FOR THE ACCOUNT OR BENEFIT OF SUCH A U.S. PERSON (OTHER THAN A DISTRIBUTOR).

EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN §3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO §4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO §406 OF ERISA OR §4975 OF THE CODE ("SIMILAR LAW"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR §4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Each Note will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions):

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF THIS SECURITY SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY (OR OF BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND OF BENEFICIAL INTERESTS HEREIN) AND ALL FUTURE HOLDERS OF THIS SECURITY (AND BENEFICIAL INTERESTS HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

- (f) If such investor purchases a Global Note (or any beneficial interest therein), then it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in such Global Note as well as to registered holder of such Global Note.
- (g) If such investor purchases a Registered Note (or any beneficial interest therein), then it will also be deemed to acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Bank and the Registrar that the restrictions set forth herein have been complied with.
- (h) Such investor acknowledges that:
  - (i) the Bank, the Dealers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be

deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Bank and the Dealers promptly in writing, and

- (ii) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, then such investor represents with respect to each such account that:
  - (A) such investor has sole investment discretion, and
  - (B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.
- (i) Such investor agrees that it will give to each person to whom it transfers a Note notice of any restrictions on the transfer of such Note set forth in clause (d) and in any applicable legend set forth in clause (e).
- (j) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Bank or the Dealers that would permit a public offering of the Notes or the possession, circulation or distribution of this Base Prospectus or any other material relating to the Bank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this “Subscription and Sale and Selling and Transfer Restrictions” section.
- (k) Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any “plan” as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include “plan assets” of any of the foregoing or a U.S. governmental plan, church plan or non-US plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law. See “Certain Considerations for ERISA and Other U.S. Employee Benefit Plans.”
- (l) Institutional Accredited Investors who invest in Registered Notes (other than pursuant to Rule 144A or Regulation S) in their original issuance are required to execute and deliver to the Registrar an IAI Investment Letter. The IAI Investment Letter will state, among other things, the following:
  - (i) that the applicable Institutional Accredited Investor has received a copy of this Base Prospectus and such other information as it deems necessary in order to make its investment decision,
  - (ii) that such Institutional Accredited Investor understands that such Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Notes is subject to certain restrictions and conditions set forth in this Base Prospectus and such Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer such Notes except in compliance with such restrictions and conditions and the Securities Act,
  - (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes,
  - (iv) that it is an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts’ investment for an indefinite period of time,

- (v) that such Institutional Accredited Investor is acquiring such Notes purchased for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control, and
- (vi) that, in the event that such Institutional Accredited Investor purchases Notes (or beneficial interests therein), it will acquire Notes (or beneficial interests therein) having a minimum purchase price of at least US\$500,000 (or the approximate equivalent in another Specified Currency).
- (m) No sale of U.S. Notes (or beneficial interests therein) to any one purchaser will be for less than US\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors (other than pursuant to Rule 144A), US\$500,000 (or its foreign currency equivalent) principal amount and no U.S. Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, then each person for whom it is acting must purchase at least US\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors (other than pursuant to Rule 144A), US\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

“U.S. Note” means Registered Notes (whether in definitive form or represented by a Registered Global Note) that, in their initial distribution, are: (i) issued by the Issuer directly to Institutional Accredited Investors in a transaction complying with Section 4(a)(2) of the Securities Act or (ii) sold by one or more Dealer(s) to QIBs in accordance with the requirements of Rule 144A.

## Selling Restrictions

### *Turkey*

The Issuer has obtained the Program Approvals from the CMB and the BRSA required for the issuance of Notes (up to US\$750,000,000 (or its equivalent in other currencies excluding Turkish Lira) in aggregate) under the Program. Pursuant to the Program Approvals, the offer, sale and issue of Notes under the Program has been authorized and approved in accordance with Decree 32, the Banking Law and its related legislation, the Capital Markets Law and its related legislation and the Communiqué on Debt Instruments. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Program Approvals.

Under the CMB Approvals, the CMB has authorized the offering, sale and issue of any Notes on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665, the BRSA decision dated September 30, 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in both the primary and secondary markets.

Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through banks or licensed brokerage institutions authorized pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through banks.

An issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Notes shall be prepared by, and the CMB approval thereof shall be obtained by, the Issuer prior to the issue date of each such Tranche of Notes.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

### ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

In connection with any Regulation S Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes: (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer(s) or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. Persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the applicable Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Deed Poll to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes of the applicable Series remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

### ***Public Offer Selling Restrictions under the Prospectus Directive***

In relation to each Relevant Member State (*i.e.*, a member state of the European Economic Area that has implemented the Prospectus Directive), each Dealer has represented and agreed, and each further Dealer appointed under the Program 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 that 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 that is a qualified investor as defined in the Prospectus Directive,

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer, or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

*provided* that no such offer of Notes referred to in clauses (a) to (c) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes that have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes in the United Kingdom 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) in the United Kingdom it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer, and

(c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***People’s Republic of China***

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes (or beneficial interests therein) to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan) in contravention of any applicable laws.

### ***Hong Kong***

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (or beneficial interests therein) other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (ii) in other circumstances that do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or that 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 that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes (or beneficial interests therein) that 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 any Notes. 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 each Dealer has represented to and agreed, and each further Dealer appointed under the Program will be required to represent and agree, with the Issuer that neither the Base Prospectus nor any other offering or marketing material relating to the Notes may or will be publicly distributed or otherwise made publicly available by it in Switzerland.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer or sell any Notes (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***General***

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## **LEGAL MATTERS**

Certain matters relating to the issuance of Notes will be passed upon for the Bank by Mayer Brown LLP (or affiliates thereof) as to matters of United States law and by YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters of English and United States law will be passed upon for the Dealers by Herbert Smith Freehills LLP, and certain matters of Turkish law will be passed upon for the Dealers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

## ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Bank are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Bank outside Turkey or to enforce against it in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

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

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

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

- (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 Bank at its London Branch (8 Princes Street, London EC2R 8HL) in relation to any proceedings in England in connection with any Notes.

## OTHER GENERAL INFORMATION

### Authorization

The establishment of the Program, the issue of Notes by the Bank and the delivery by the Bank of the documentation for the Program have been duly authorized pursuant to the authority of the officers of the Bank under the resolutions of its Board of Directors dated March 21, 2013 and November 21, 2013.

### Listing

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. It is expected that each Tranche of Notes that is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of one or more Notes initially representing the Notes of such Tranche; *however*, no assurance can be given that any such admission will occur. Application will be made to the Irish Stock Exchange for certain Notes issued within 12 months of the date of this Base Prospectus to be admitted to listing on the Official List and to have such Notes admitted to trading on the Main Securities Market.

### Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN (if any) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. 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, then the appropriate information will be specified in the applicable Final Terms.

Through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorized or required by law or executive order to close.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### Conditions for Determining Price

The price and amount of Notes to be issued under the Program will be determined by the Issuer and the relevant Dealer(s) or investor(s) at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Group since September 30, 2013 and no material adverse change in the financial position or prospects of either the Bank or the Group since December 31, 2012.

## **Interests of Natural and Legal Persons Involved in the Issue**

Except with respect to the fees to be paid to the Dealers, so far as the Bank is aware, no natural or legal person involved in the issuer of the Notes has an interest, including a conflicting interest, material to the issue of the Notes.

## **Independent Auditors**

The BRSA Annual Financial Statements as of and for the years ended December 31, 2010, 2011 and 2012 have been audited by Deloitte in accordance with the regulation on “Licensing and Operations of Audit Firms in Banking” published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. The audit reports on the BRSA Annual Financial Statements emphasize that: (a) the effect of the differences between the accounting principles summarized in Section 3 thereof and the accounting principles generally accepted in countries in which the financial statements are to be distributed and IFRS have not been quantified and reflected in the financial statements, (b) the accounting principles used in the preparation of the financial statements differ materially from IFRS and (c) accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS. See Deloitte’s reports incorporated by reference into this Base Prospectus.

The BRSA Interim Financial Statements as of and for the nine month period ended September 30, 2013 have been reviewed by Deloitte in accordance with the accounting rules and policies, and the accounting and auditing standards, in accordance with the Banking Law. The review report on the BRSA Interim Financial Statements emphasizes that: (a) the effect of the differences between the accounting principles summarized in Section 3 thereof and the accounting principles generally accepted in countries in which the unaudited financial statements are to be distributed and IFRS have not been quantified and reflected in the unaudited financial statements, (b) the accounting principles used in the preparation of the unaudited financial statements differ materially from IFRS and (c) accordingly, the unaudited financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unaudited financial statements and IFRS. See Deloitte’s report incorporated by reference into this Base Prospectus. With respect to the unaudited BRSA Interim Financial Statements, Deloitte has reported that they applied limited procedures in accordance with professional standards for a review of such information; their report states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Deloitte is located at Sun Plaza, Maslak Mah. Bilim Sk. No: 5, Şişli, İstanbul 34398. Deloitte, independent certified public accountants in Turkey, is an audit firm authorized by the BRSA to conduct independent audits of banks in Turkey.

## **Litigation**

Except as described in “Business of the Group – Legal Proceedings,” there are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) that may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the Issuer’s or the Group’s financial position or profitability.

## **Documents**

The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly interim financial statements. Copies of the latest audited annual and unaudited interim reports of the Bank (in English) delivered by the Bank pursuant to Condition 5.3 may be obtained, and copies (with certified English translations where the documents at issue are not in English) of the Bank’s articles of association and of its audited financial statements as of and for the years ended December 31, 2010, 2011 and 2012, and copies of the transaction documents referred to herein (including the forms of the Notes) will be available for inspection, at the offices of the Bank and the Fiscal Agent.

Copies of the documents referred to in the preceding paragraph and certain other documents (including this Base Prospectus, the constitutional documents of the Bank, the Group’s BRSA financial statements for the latest two years, the Deed of Covenant and the Agency Agreement) will be available in physical form for inspection at the Bank’s headquarters at

Büyükdere Caddesi, No. 129, Mecidiyeköy/Şişli 34394, İstanbul, Turkey, with such financial statements also being available on the Bank's website at [www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx](http://www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx). (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). Such documents will be so available through the final redemption of the Notes.

### **Material Contracts**

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

### **Dealers and Arranger transacting with the Issuer**

Certain of the Dealers, the Arranger and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, certain of the Dealers, the Arranger 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 the Issuer's affiliates. Certain of the Dealers, the Arranger 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, such Dealers, Arranger or their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. Certain of the Dealers, the Arranger 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.

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## OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

The BRSA Financial Statements are presented in accordance with BRSA Principles. The BRSA Principles differ from IFRS in certain respects. Such differences primarily relate to format of presentation of financial statements, disclosure requirements (*e.g.*, IFRS 7) and certain accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. Among the differences in accounting policies, some of the most important are:

- *Consolidation.* Under BRSA Principles, only subsidiaries and associates operating in the financial services sector are required to be consolidated with a bank; the rest are carried at cost or at fair value. IFRS does not make sectoral distinctions.
- *Associates.* Under IFRS, an entity is considered an associate if the Group has significant influence, but not control, over the financial and operational policies of such entity. The same rule applies under BRSA Principles; *however*, according to BRSA Principles, an entity operating in the financial sector is consolidated as an associate if an employee representative of the Group is on the board of directors of such entity. Under IFRS, the existence of an employee representative of the Group on the board of directors of an entity is not sufficient to establish that the Group has a significant influence on such entity.
- *Provisioning for loan losses.* The BRSA provisioning for loan losses is different from IAS 39 and is based upon percentages relating to number of days overdue prescribed by relevant regulations, whereas the IFRS provisioning for loan losses is based upon the present value of scheduled future cash flows after considering the incurred probable losses and discounted at the original effective interest rate. Moreover, the BRSA provisioning for loan losses is based upon percentages defined in regulations for many asset items, not only for loans, which is not the case with IFRS.
- *General loan loss provisioning.* A general loan loss provision is required under BRSA Principles but prohibited under IFRS. Instead, IFRS require portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired. The IFRS provision reflects probable incurred losses based upon historical experience, adjusted for recent events.
- *Deferred taxation.* Certain differences exist in the area of deferred taxation. Under the BRSA Principles no deferred tax is computed in relation to general loan loss provisions, whereas under IFRS it is computed over collective allowance for impairment.
- *Application period for hyperinflationary accounting.* Hyperinflationary accounting ceased to be applied as of January 1, 2005 under the BRSA Principles, whereas it ceased to be applied as of January 1, 2006 under IFRS.

**PRINCIPAL OFFICE OF THE BANK**

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Mecidiyeköy/Şişli 34394  
İstanbul  
Turkey

**FISCAL AGENT AND  
PRINCIPAL PAYING AGENT**

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London E14 5AL  
United Kingdom

**REGISTRAR, TRANSFER AGENT  
AND PAYING AGENT**

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