

IMPORTANT NOTICE

OFFERINGS UNDER THE PROGRAMME ARE AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

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

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

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

Confirmation of your Representation: In order to be eligible to view this Base Prospectus, investors must be persons other than U.S. persons (as defined in Regulation S) outside of the U.S. This Base Prospectus is being sent at your request and by accepting the e-mail and accessing this Base Prospectus, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are outside of the U.S. and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such Base Prospectus by electronic transmission.

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

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

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

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

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

BASE PROSPECTUS



Yapı ve Kredi Bankası A.Ş.

U.S.\$5,000,000,000

Global Medium Term Note Programme

Under this U.S.\$5,000,000,000 Global Medium Term Note Programme (the “**Programme**”), Yapı ve Kredi Bankası A.Ş., a Turkish banking institution organised as a public joint stock company (the “**Bank**” or the “**Issuer**”), may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

This Base Prospectus supersedes and replaces the Base Prospectus dated 20 September 2013.

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any U.S. State securities laws and may not be offered or sold in the United States to, or for the account or the benefit of, U.S. persons, as defined in Regulation S under the Securities Act (“**U.S. person**”) unless an exemption from the registration requirements of the Securities Act is available. See “*Form of the Notes*” for a description of the manner in which Notes will be issued.

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 European Union (“**EU**”) law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange (the “**Main Securities Market**”) or on another regulated market for the purposes of Directive 2004/39/EC (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 in circumstances that require the publication of a prospectus. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the “**Official List**”) and trading on the Main Securities Market. References in this Base Prospectus to the Notes being “**listed**” (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Main Securities Market. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Application has been made to the Capital Markets Board of Turkey (the “**CMB**”), in its capacity as competent authority under Law No. 6362 (the “**Capital Markets Law**”) of the Republic of Turkey (“**Turkey**”) relating to capital markets, for the issuance and sale of Notes by the Bank outside of Turkey. No Tranche (as defined in “*Terms and Conditions of the Notes*”) of Notes can be sold before the necessary approvals and an approved issuance certificate in respect of such Tranche are obtained from the CMB. The CMB approval and the issuance certificate (*ihraç belgesi*) relating to the issuance of Notes based upon which any offering of the Notes will be conducted was obtained on 20 May 2014 and numbered 29833736-105.03.01-1038 (the “**CMB Approval**”), and the approved tranche issuance certificate (*tertip ihraç belgesi*) will be obtained from the CMB before any sale and issuance of the Notes. In order to issue any further Tranche of Notes after 15 May 2015, the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 15 May 2015, if and when the aggregate nominal amount of all Notes issued and sold following 15 May 2014 under the Programme exceeds U.S.\$ 3,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further Tranche of Notes.

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

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

The Programme has been rated BBB by Fitch Ratings Ltd. (“**Fitch**”) and Baa3 by Moody’s Deutschland GmbH (“**Moody’s**”) and, together with Fitch and Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), the “**Rating Agencies**”). 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 Programme may be rated by either Fitch or Moody’s or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Moody’s, as the case may be. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers

Deutsche Bank

UniCredit Bank

Dealers

BofA Merrill Lynch

Citigroup

Commerzbank

Deutsche Bank

Goldman Sachs International

HSBC

J.P. Morgan

MUFG

Société Générale Corporate & Investment Banking

Standard Chartered Bank

UniCredit Bank

The date of this Base Prospectus is 3 November 2014.

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

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

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

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

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

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

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and this Base Prospectus and any Final Terms may not be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, the People’s Republic of China (“PRC”), Hong Kong and Japan, see “*Subscription and Sale*”.

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

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

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

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

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

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

The Issuer has obtained the CMB Approval and the approved issuance certificate required for the issuance of Notes under the Programme. In addition to the CMB Approval and issuance certificate, a tranche issuance certificate in respect of each Tranche of Notes shall also be obtained by the Issuer prior to the issue date of such Tranche of Notes. In order to issue any further Tranche of Notes after 15 May 2015, the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 15 May 2015, if and when the aggregate nominal amount of all Notes issued and sold following 15 May 2014 under the Programme exceeds U.S.\$ 3,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further Tranche of Notes. The Issuer shall obtain all authorisations and approvals of the CMB necessary for the offer, sale and issue of each Tranche of Notes under the Programme, prior to such issue. Consequently, the scope of the above-mentioned CMB Approval may be amended and/or new approvals from the CMB and/or the BRSA may be obtained from time to time. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, “Decree 32”), the Banking Act numbered 5411 (the “Banking Law”) and its related legislation, the Capital Markets Law and Communiqué II-31.1 on Debt Instruments (the “Communiqué on Debt Instruments”) 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 CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. For more information, see “*Subscription and Sale – Selling Restrictions – Turkey*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

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

The Bank’s consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2013, 2012 and 2011 (the “**Annual BRSA Financial Statements**”) and unaudited interim consolidated and unconsolidated financial statements as of and for the nine month period ended 30 September 2014 (with 30 September 2013 comparatives), as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives) and as of and for the three month period ended 31 March 2014 (with 31 March 2013 comparatives) (the “**Interim BRSA Financial Statements**” and, together with the Annual BRSA Financial Statements, the “**BRSA Financial Statements**”) have been prepared and presented in accordance with the “*Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents*” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA which refers to “*Turkish Accounting Standards*” and “*Turkish Financial Reporting Standards*” issued by the Public Oversight Accounting and Auditing Standards Authority and other decrees, notes and explanations related to the accounting and financial reporting principles (all “**Turkish Accounting Standards**” or “**TAS**”) published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated 28 June 2012. It is important to note that the consolidated BRSA Financial Statements are prepared with inclusion of only financial subsidiaries whereas other equity participations are included as noted in the following paragraph. The Bank’s foreign affiliates maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

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

Guney Bağımsız Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. (a member firm of Ernst & Young Global Limited) (“EY”) audited and issued auditors’ reports with respect to the annual consolidated BRSA financial statements as at and for the years ended 31 December 2013, 2012 and 2011 in accordance with such regulation and the International Standards on Auditing. See the relevant EY’s reports incorporated by reference into this Base Prospectus. In 2010, in accordance with the requirement for the mandatory rotation of auditors every seven years under Turkish regulations, the Group changed its auditors for both its BRSA and its International Financial Reporting Standards (“IFRS”) financial statements to EY.

The BRSA Interim Financial Statements as of and for the nine month period ended 30 September 2014 (with 30 September 2013 comparatives), as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives) and as of and for the three month period ended 31 March 2014 (with 31 March 2013 comparatives) have been reviewed in accordance with the “*Regulation Regarding the Authorisation and Activities of Incorporations that will Perform Independent Audit at Banks*” published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing by EY. See the relevant EY’s reports incorporated by reference into this Base Prospectus.

Activities of certain of the Bank’s subsidiaries were classified as discontinued operations in the consolidated income statement of the Bank for the six months ended 30 June 2013 and for the year ended 31 December 2012. Therefore, the consolidated income statement of the Bank for the six months ended 30 June 2013 and for the year ended 31 December 2012 has been reclassified in order to provide comparative presentation. The following tables set forth a summary of the reclassifications.

	For the six months ended 30 June 2013		
	Published	Adjustment	Reclassified
Interest income	4,908,929	—	4,908,929
Interest expense	(2,246,237)	(9,152)	(2,255,389)
Net interest income	2,662,692	(9,152)	2,653,540
Net fees and commissions income	983,127	55,659	1,038,786
Trading gain/(loss) (net)	114,475	118	114,593
Other operating income	199,382	3,470	202,852
Total operating income /(loss)	3,975,076	50,095	4,025,171
Provision for impairment of loans and other receivables (-)	(717,334)	—	(717,334)
Other operating expenses (-)	(1,675,495)	(36,681)	(1,712,176)
Net operating income/(loss)	1,582,247	13,414	1,595,661
Profit/(loss) before taxes from continuing operations	1,582,360	13,414	1,595,774
Tax provision for continuing operations (-)	(339,622)	—	(339,622)
Net profit/(loss) from continuing operations	1,242,738	13,414	1,256,152
Income from discontinued operations	237,009	21,997	259,006
Expenses from discontinued operations (-)	(174,034)	(35,411)	(209,445)
Profit /(losses) before taxes from discontinued operations	62,975	(13,414)	49,561
Tax provision for discontinued operations (±)	(10,006)	—	(10,006)
Net profit/(loss) from discontinued operations	52,969	(13,414)	39,555

For the year ended 31 December 2012			
	Published	Adjustment	Reclassified
Interest income	10,117,090	(40,897)	10,076,193
Interest expense	(5,169,506)	(27,792)	(5,197,298)
Net interest income	4,947,584	(68,689)	4,878,895
Net fees and commissions income	1,791,167	73,593	1,864,760
Trading gain/(loss) (net)	33,315	(3,071)	30,244
Other operating income	609,336	(254,911)	354,425
Total operating income /(loss)	7,383,063	(253,078)	7,129,985
Provision for impairment of loans and other receivables ()	(1,400,192)	50	(1,400,142)
Other operating expenses ()	(3,277,968)	119,329	(3,158,639)
Net operating income/(loss)	2,704,903	(133,700)	2,571,204
Profit/(loss) before taxes from continuing operations	2,722,694	(133,700)	2,588,995
Tax provision for continuing operations ()	(624,934)	26,756	(598,179)
Net profit/(loss) from continuing operations	2,097,760	(106,944)	1,990,816
Income from discontinued operations	—	502,617	502,617
Expenses from discontinued operations ()	—	(368,917)	(368,917)
Profit /(losses) before taxes from discontinued operations	—	133,700	133,700
Tax provision for discontinued operations (±)	—	(26,756)	(26,756)
Net profit/(loss) from discontinued operations	—	106,944	106,944

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

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

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under IFRS, the Bank’s management has elected to publish annual consolidated and semi-annual consolidated financial statements that have been prepared in accordance with IFRS, with the most recent such audited financial statements being the Group’s IFRS financial statements for the fiscal year ended 31 December 2013. IFRS financial statements are not used for any regulatory purposes and the Bank’s management uses the BRSA Financial Statements and related BRSA Principles for the management of the Bank and communications with investors. While the Group’s IFRS financial statements are available on the Bank’s website, information in this Base Prospectus is based upon the BRSA Financial Statements, and the Group’s IFRS audited financial statements do not form a part of (and are not incorporated by reference in) this Base Prospectus.

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

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

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

BRSA Principles and IFRS

BRSA Principles differ from IFRS. As an example, the provisioning policy used in the preparation of the Bank’s IFRS Financial Statements differs from that used under BRSA Principles. For example, under BRSA Principles, provisioning is based on the length of the period of default, whereas under IFRS, provisioning is based on an evaluation made by management. For a discussion of the differences between BRSA Principles

and IFRS, see “Appendix I—Overview of Significant Differences Between IFRS and BRSA Accounting Principles”.

Non-GAAP Measures of Financial Performance

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

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

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

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

- “**Turkish Lira**” and “**TL**” refer to the lawful currency for the time being of the Republic of Turkey;
- “**euro**” and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- “**U.S. dollars**”, “**U.S.\$**” 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.

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

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

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

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

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

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

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

The Issuer has derived substantially all of the information contained in this Base Prospectus concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Base Prospectus has been obtained from the BRSA’s website at www.bddk.org.tr and the Banks’ Association of Turkey’s website at www.tbb.org 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*) (“**TürkStat**”) at www.turkstat.gov.tr, the Central Bank of Turkey (“**Central Bank**”) website at www.tcmb.gov.tr and the Turkish Treasury’s website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of August 2014 and November 2014 and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Base Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer’s management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer’s management internal research, constitute the best current estimates of the information described.

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

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may 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 stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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

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RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Base Prospectus. In addition to the other information in this Base Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks related to the Group's Business, Turkey, the Turkish Banking Industry, and the Notes, before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Related to the Group's Business

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

As of 30 June 2014, 96.4% of the Group's total assets and the majority of the Group's operations were in Turkey. Therefore, the Group's business and results of operations are primarily affected by economic conditions in Turkey, although global trends can also have a direct impact. Global credit and capital markets continue to be volatile and fragile, and any deterioration of global economic conditions is likely to have a significant negative impact on the business, financial condition and/or results of operations of the Group. Although the Turkish banking system has so far not required any bailouts by the Turkish government (the "**Government**"), there can be no assurance that a further economic downturn or financial crisis will not occur or that continued efforts to support the financial markets and banking system will be successful.

Turkey's GDP grew by 4.1% in 2013, 4.7% in the first quarter of 2014 and 2.1% in the second quarter of 2014, according to TurkStat. The GDP growth in the first half of 2014 was primarily driven by an increase in external demand (net exports) and government expenditures which was offset by a significant decline in private consumption and a negative contribution of private investments. Turkey's growth is expected to be negatively impacted during 2014 by a reduction in global liquidity and a decrease in fund flows to emerging markets, as well as continuing volatility in the markets.

During the second half of 2011, the Central Bank started implementing an unconventional monetary policy and regulatory changes together with the BRSA, aimed at controlling the widening current account deficit. Although there was a contraction in the current account deficit to GDP ratio from 10.0% in 2011 to 6.0% in 2012, the current account deficit widened to 7.9% of GDP in 2013, due to an acceleration in domestic demand. In the first and second quarter of 2014, the current account deficit declined to 7.3% of GDP and 6.3% of GDP, respectively, as a result of a decline in gold trade and a moderation in domestic demand, although the deficit still remains a significant concern for policy makers and may be subject to further intervention.

During the first half of 2013, the Central Bank cut the policy, overnight borrowing and overnight lending rates to 4.5%, 3.5% and 6.5%, respectively, to support economic growth and control acceleration in capital inflows amid Turkey's second investment grade upgrade. Due to uncertain global liquidity conditions, the Central Bank continued its flexible interest rate corridor policy in 2013. Following announcements by the United States Federal Reserve regarding tapering of monetary stimulus and widespread political protests across Turkey in May 2013, volatility increased across emerging markets, in particular in Turkey, and the Central Bank focused on limiting depreciation of the Turkish Lira and started to adopt a tightening policy bias. Thus, the Central Bank increased the overnight lending rate to 7.75% in August 2013 (from 7.25% in July 2013 and 6.5% in June 2013) whilst keeping the overnight borrowing rate and policy rate stable. On 14 January 2014, the Central Bank increased the policy, overnight borrowing and overnight lending rates to 10%, 8% and 12%, respectively, in order to control the depreciation of the Turkish Lira and inflation. Following this rate hike, the Turkish Lira appreciated. Additionally, the Central Bank decreased the one-week repo rate to 9.50% in May 2014 and further to 8.75% in June 2014, while keeping the overnight lending rate and overnight borrowing rate the same. On 18 July 2014, the Central Bank decreased the one-week repo rate from 8.75% to 8.25% and the overnight borrowing rate from 8.00% to 7.50%, while keeping the overnight

lending rate the same. On 28 August 2014, the Central Bank decreased the overnight lending rate from 12.00% to 11.25%.

As of 31 December 2013 and 30 June 2014, the consumer price index (the “CPI”) stood at 7.4% and 9.2% respectively, being driven mainly by the foreign exchange pass-through from the depreciation of the Turkish Lira and rising food prices.

Continued uncertainty in the international financial markets, contraction of the global economy and any tightening in credit conditions could adversely impact the Group’s business and operating results as a result of:

- decreases in the business activity and deterioration of creditworthiness of companies and individuals;
- impairments on assets and/or collateral as well as increased levels of non-performing loans (“NPLs”) and amounts of loan impairment charges;
- increases in borrowing costs and reduced, or no, access to capital markets due to unfavourable market conditions and increased competition for deposits leading to declines in the Group’s net interest income; and
- decreases in fee and commission income due to a reduction in consumer demand for the Group’s loan products or measures implemented by banking regulators.

If any of the above events occurs, this could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

There can be no assurance of continued global economic recovery, and any deterioration in global economic or financial conditions could negatively affect Turkey’s economy, the availability of funding to the Group and the Group’s business, financial condition, results of operations and prospects. If the Turkish economy is negatively affected by reduced economic activity, a devaluation of the Turkish Lira, inflation or an increase in domestic interest rates, this could have a material adverse effect on the Bank’s business, financial condition, results of operations and prospects. See “—*Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*”.

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

The Group’s businesses are subject to inherent risks concerning the credit quality of borrowers and counterparties, which have affected and are expected to 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 Bank’s assets. Increased unemployment, rising inflation, reduced corporate liquidity and profitability, increased corporate insolvencies, the deterioration of the Turkish Lira exchange rate against the U.S. dollar and euro (especially during 2008) and the inability of individuals to service their personal debt have negatively affected the Turkish banking sector, including the Bank. According to BRSA statistics, the ratio of NPLs to total loans in the Turkish banking sector was 2.6% as of 31 December 2011, 2.8% as of 31 December 2012, 2.6% as of 31 December 2013, 2.7% as of 31 March 2014 and 2.7% as of 30 June 2014. Certain lending segments, which have been an area of focus for the Bank due to relatively better margins, including general purpose loans, credit cards and loans to small and medium-sized enterprises (“SMEs”), have higher NPL levels. As of 30 June 2014, the ratio of NPLs to total loans in the credit card segment of the Turkish banking sector was 5.9% and in the commercial instalment loans segment was 3.1%. Additionally, on 8 October 2013, the BRSA introduced new regulations aimed at limiting the expansion of individual loans (especially credit card instalments).

Since 2006, when the merger with Koçbank was completed (see “*Business of the Bank—History*”), the Group’s loan portfolio has expanded significantly, increasing the Group’s exposure to credit risk associated with lending, and the Group’s loan portfolio includes a significant portion of unseasoned loans. As of 30 June 2014, loans and receivables constituted 64.3% of the Group’s consolidated total assets. The Group’s business strategy is strongly focused on the retail and SME segment, as well as on credit card and project finance

lending, as these are higher margin generating asset classes. In the second quarter of 2014, the pace of loan growth accelerated. In line with its strategy, the Bank increased its market share in value generating segments, including general purpose loans, mortgages, Turkish Lira company loans and SMEs, and maintained its market share in the credit card segment despite its general contraction due to regulations introduced in February 2014. Some of these segments are generally viewed as riskier segments and could place additional pressure on the asset quality of the Group. As of 30 June 2014, the Group's loans and receivables in the consumer (including general purpose, auto and mortgage loans) and credit card segments amounted to 18.6% and 15.7%, respectively, of the Group's performing loans and receivables. In the Turkish banking sector, retail lending is generally regarded as entailing more risk than corporate lending, and unsecured credit card lending generally entails relatively more risk than secured retail credit products. As of 30 June 2014, the Group's NPLs to total loans ratio in the credit cards sector was 3.6%, which equalled the level across all loans. The corporate sector may also be susceptible to additional foreign exchange risk as corporate loans may be denominated in foreign currencies, resulting in additional risk if the Turkish Lira depreciates and such borrowers do not have foreign currency reserves or adequate hedging.

The increase in the Group's loan portfolio (including a significant portion of unseasoned loans) has increased the Group's credit exposure and requires continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme, particularly in its retail segment (including SMEs). Negative developments in the Turkish economy could affect these borrowers more than large companies, resulting in higher NPL levels and, as a result, higher levels of provisioning.

The Group's total loss provisions amounted to TL 740,538 thousand, or 0.58% (net of collections cost of risk) of gross loans and receivables as of 31 December 2011, TL 1,225,164 thousand, or 1.35% (net of collections cost of risk) of gross loans and receivables as of 31 December 2012, TL 1,391,591 thousand, or 1.27% (net of collections cost of risk) of gross loans and receivables as of 31 December 2013, TL 431,186 thousand, or 1.11% (net of collections cost of risk) of gross loans and receivables as of 31 March 2014 and TL 847,242 thousand, or 1.10% (net of collections cost of risk) of gross loans and receivables as of 30 June 2014. The current level of provisions by the Group may not be sufficient to cover future losses and the Group may have to create significant additional provisions for possible credit losses in the future.

In addition, there can be no assurance that the Group will be able to correctly assess the creditworthiness of credit applicants. There is a centralised credit bureau in Turkey which was established in 1995 to provide exchange of information for the purpose of monitoring and controlling consumer credit information (including credit cards). Since 2009, the credit bureau also started to cover information on corporate and commercial credits. The credit bureau includes data shared by the Group and its competitors in Turkey. The information compiled at the credit bureau monitors significant trends both positive and negative. In addition, information from other non-bank entities, such as utility companies, is not included. The Group has used internal rating models (including the Central Bank's sector-based information) for corporate and commercial clients since 2009 and internal scorecards (incorporating credit bureau information) for retail customers since 2011. However, the Group is not always independently able to confirm information provided by prospective clients and the increase in the Group's loan portfolio in 2010, which slowed in 2011 through 2013, will require continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme.

Any failure by the Group to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

The Group also has a substantial portfolio of derivative financial assets, including currency forwards, currency and interest rate swaps, options, interest rate cap and floor arrangements and credit default swaps. As of 30 June 2014, the Group's total recognised derivative assets had a notional value of TL 162,471,993 thousand, and the fair values of the derivative assets and liabilities were TL 1,025,909 thousand and TL 1,124,622 thousand, respectively. The Group is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under these derivative financial assets.

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

The Bank is subject to liquidity and refinancing risk

The Bank is exposed to liquidity risk, arising out of mismatches between the maturities of the Bank's assets and liabilities, which together with increased market volatility and changes in general economic conditions, may contribute to the Bank not being able to meet its net funding requirements at a reasonable cost, or at all. A significant portion of the Group's funding base consists of short-term debt and deposits and the Group has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. As of 30 June 2014, deposits comprised 56.3% of the Group's total liabilities and, of all deposits, 83.9% had maturities of three months or less.

In addition, the Group has raised part of its funding on the international markets, and may need to access additional wholesale funding in the future if deposit growth does not keep pace with growth in lending. As of 30 June 2014, the Bank had a total of TL 19,558,191 thousand of funds borrowed from wholesale sources, of which TL 17,982,485 thousand of other borrowed funds from foreign sources, and TL 10,052,778 thousand of debt securities in issue, in relation to its diversified payment rights securitisation and issued bonds in local currency. In order to cover the maturity mismatch from short-term funding and long-term lending, the Group has raised longer-term funds in the form of syndications, securitisations and other loans, almost all of which are denominated in foreign currency. As of 30 June 2014, the Group's total foreign currency denominated bank deposits and borrowings constituted 12.7% of its consolidated liabilities excluding equity and 21.4% of its assets with maturity of one year or more. The Group may have difficulties extending this type of funding source and such funding may become more difficult and costly in the event of a Turkish Lira devaluation.

Withdrawals of deposits could lead to liquidity gaps that the Bank would have to cover, thus incurring additional expenses, and which ultimately may have a material adverse effect on the Bank's business, financial condition and results of operations. In the event of liquidity gaps, access to other funding sources, such as Central Bank repos or the capital markets, may not be available, or may be available only at a higher cost and such funding sources may be less advantageous to the Bank in other respects. The Bank's liquidity risk could be increased by market disruptions or credit downgrades, which may reduce the availability of funding. The Group may also be adversely affected by changes in interest rates. For example, if interest rates increase, the interest on the Group's liabilities (predominantly short-term) may rise more quickly than on its assets, resulting in deteriorating interest margins. Either result could have a material adverse effect on the Bank's financial condition and results of operations. See "*—The Group may be negatively affected by volatility in interest rates*".

There can be no assurance that the Bank will continue to successfully manage its liquidity and the maturity profile of its funding base in the future. Particularly in light of the volatility in the market for emerging market debt, the Bank may have difficulty extending and/or refinancing its existing indebtedness. If the Bank is not able to refinance its debt and other obligations or experiences difficulty in managing its liquidity and the maturity profile of its debt, this could cause a material adverse effect on the Bank's business, financial condition or results of operations.

The Bank is subject to risks in its trading activities

As part of the Bank's treasury operations, it trades various securities and derivatives, including debt, equity, fixed income, currencies and commodities and related derivatives, as both agent and principal, and it derives a portion of its non-interest income from profits earned in such trades. A significant portion of the Bank's trading activities are related to customer transactions and management has put stringent measures in place that seek to limit its ultimate trading exposure.

However, the Bank may still be exposed to a number of risks related to changes in the value of such securities and derivatives, including the risk of unfavourable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Bank chooses to hedge certain positions do not track the market value of those positions. If the Bank incurs any losses from these exposures, this could reduce the Bank's income or cause the Bank to suffer losses, either of which could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Group may be negatively affected by volatility in interest rates

In general, because the Group's assets have a longer maturity and reprice more slowly than its liabilities, the Group may benefit from a lag in the repricing of its assets compared to its liabilities in falling and low interest rate environments. However, in a rising interest rate environment, the Group may be adversely affected by the same repricing lag. This difference could result in an increase in interest expense relative to interest income, reducing margins and the Group's net interest income. In the second half of 2013 and the first quarter of 2014, for example, interest rates and deposit costs rose faster than loan repricing, which negatively impacted net interest margins. For a description of the Group's interest rate risk management, see "*Risk Management*".

The first half of 2014 was characterised by a high degree of volatility in interest rates, as a result of a number of factors, including continued global volatility as well as increased political tension and demonstrations in Turkey prior to local elections, which, among other factors, led S&P and Moody's to downgrade Turkey's outlook to negative. As a result of these factors, there was a sharp depreciation in the Turkish Lira against other major currencies. Inflation also increased in the first half of the year, and the Central Bank has recently increased inflation expectations for 2014 to 7.6%. In response to the sharp drop in the Turkish Lira, in January 2014, the Central Bank increased the overnight lending rate from 7.75% to 12%, the one-week repo rate from 4.5% to 10% and the overnight borrowing rate from 3.5% to 8%. As a result, deposit costs have increased sharply and loan rates have also increased, but have lagged behind the deposit costs due to the maturity mismatch and the Group's net interest income was negatively affected in the first half of 2014. The Central Bank decreased the one-week repo rate to 9.50% in May 2014 and further to 8.75% in June 2014, while keeping the overnight lending rate and overnight borrowing rate the same. On 18 July 2014, the Central Bank decreased the one-week repo rate from 8.75% to 8.25% and the overnight borrowing rate from 8.00% to 7.50%, while keeping the overnight lending rate the same. On 28 August 2014, the Central Bank decreased the overnight lending rate from 12.00% to 11.25%. However, there can be no assurance that the conditions resulting in an increase in interest expenses relative to interest income and reducing interest margins and the Group's net interest income will not continue or that they will not further deteriorate.

Furthermore, an increase in interest rates may reduce the demand for loans from the Group and its ability to originate loans. A decrease in the general level of interest rates may affect the Group through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in interest rates. As of 30 June 2014, total nominal interest rate swap volume (including cross currency interest rate swaps) amounted to TL 49,347,486 thousand, out of which TL 37,915,500 thousand were already under hedge accounting and thus not affected by interest rate fluctuations. Nominal interest rates are sensitive to many factors beyond the Group's control, including monetary policies pursued by the Government and both domestic and international economic and political conditions.

If the Group is unable for any reason to reprice or adjust the rates on its interest earning assets in response to changes in rates on its interest bearing liabilities in an expedited or an effective manner as a result of economic or other reasons, then the Group's interest income margins would be adversely affected, which could in turn have a materially adverse effect on the Bank's results of operations.

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

As of 30 June 2014, the Group's loans and receivables to its 20 largest borrowers or borrower groups amounted to TL 13,579 million or 12% of its total loans and receivables, as compared with TL 12,712 million or 13% as of 31 December 2013, TL 14,174 million or 14% as of 31 December 2012, and TL 13,547 million or 14% as of 31 December 2011. Any impairment in the ability of one or more of these borrowers or borrower groups to service or repay their obligations to the Group could have a material adverse effect on the Group's financial condition and results of operations. The Banking Law, effective from 1 November 2005, restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital.

As of 30 June 2014, the Bank's top ten sectors accounted for 46.3% of the Bank's gross cash loans. 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 of funds that

such corporate customers hold on deposit with the Bank, a default on their obligations owed to the Bank or a need for the Bank to increase its provisions in respect of such obligations. Similarly a downturn of any one or more of the Bank's largest customers' financial positions may have similar effects.

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

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk and operational risk. See "*Risk Management*". Although the Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could therefore be significantly greater than historical measures indicate. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Group calculates using mathematical models and the deterioration of assets like these could lead to losses that the Group has not anticipated. Additionally, higher NPL inflows in 2014, particularly in credit cards, led the Group to tighten lending criteria and increase delinquency calls. However, there can be no assurance that such responsive measures will continue to prove effective, particularly if macroeconomic trends continue to deteriorate in Turkey. If the Group's measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group is exposed to foreign exchange and currency risks

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

Until February 2001 it was the stated policy of the Central Bank to devalue the Turkish Lira against the U.S. dollar in line with inflation. However, in recent years the devaluation of the Turkish Lira has not been consistent with inflation rates. Annual inflation rates in Turkey (as measured by the Turkish CPI) for 2011, 2012 and 2013 were 10.4%, 6.2% and 7.4%, respectively. As of 31 May 2014, CPI inflation increased to 9.7% due to the foreign exchange pass-through from the depreciation of the Turkish Lira and rising food prices. As of 30 June 2014, CPI stood at 9.2%. The value of the Turkish currency against the U.S. dollar has been volatile over the last years, having depreciated by 22.8% in 2011, appreciated by 5.9% in 2012 and depreciated by 16% in 2013. The Turkish Lira depreciated sharply in the first quarter of 2014 before stabilising. The exchange rate amounted to TL 2.1343 per dollar as of 31 December 2013 and TL 2.1234 per dollar as of 30 June 2014.

Although the Group sets stringent limits and performs certain other measures aimed at reducing exchange rate risk, including but not limited to entering into foreign exchange derivative contracts, there is no assurance that such measures will be successful and fluctuations in exchange rates may adversely affect the Bank's business, financial condition and results of operations.

The Group is exposed to volatility in the securities markets

The Bank has a substantial portfolio of Government debt securities, which amounted to 11.2% of the Bank's total interest earning assets as of 30 June 2014. The Bank's position in certain Government securities in

particular, involves a risk that downward movements in the price of these securities could have a material adverse effect on the Group's business, financial condition and results of operations. The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2011, 2012, 2013 and up to the first six months of 2014 accounting for 20.1%, 16.1%, 15.5% and 15.6%, respectively, of its total interest income. Any default by the Government in the payment of its securities held by the Bank would result in direct loss to the Bank. In addition, a default by the Government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally. A continued decline in the returns from the Bank's trading and investment securities, continued increased sales of Government securities and/or a decline in the market value of Government securities could lead to a material adverse effect on the Bank's business, financial condition and results of operations.

While the contribution of income from the Group's securities portfolio has been relatively significant over recent years, the Group expects that such income will not be as large in coming years. In particular, the robust trading gains earned during the recent global financial crisis as a result of the high level of volatility in financial markets are not expected to continue and opportunities for such gains have been declining since 2010. Moreover, the Group has also decreased the relative size of its securities portfolio in light of the growth of its loan book and capital adequacy requirements. In particular, in 2013 and the first half of 2014, the Bank sold a portfolio of Turkish Government bonds in the amount of U.S.\$1.3 billion and U.S.\$100 million, respectively.

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

The Bank is controlled by Koç Financial Services ("KFS"), which is jointly owned by Koç Holding, one of the largest conglomerate groups in Turkey, and UniCredit S.p.A. ("UniCredit"), an international financial services group engaged in a wide range of banking, financial and related activities in Europe. KFS owns 81.80% of the Bank's outstanding shares while the balance is held by minority shareholders. Koç Holding and UniCredit each own 50% of the shares of KFS.

The Bank believes that the involvement of Koç Holding and UniCredit has been, and will continue to be, important in the pursuit and implementation of the Bank's strategy, including providing an important source of business for the Group. Although the management of the Bank believes that these transactions are on an arm's length basis and in line with the Banking Law regulations on transactions with related parties, and that adequate controls are in place to limit the impact of the controlling shareholders, there can be no assurance that the interests of the Bank and its related parties will be at all times aligned with the interests of the Noteholders. There can be no assurance that these major shareholders will remain shareholders in the future or that they will continue to provide the Bank with new business in the future or provide financial or other support in the event of future financial turmoil, and there can be no assurance that the Bank's business and results of operations will not be materially adversely affected if the major shareholders cease to control the Bank.

KFS indirectly through a majority vote at the General Assembly has the power to direct the election of all of the Bank's directors and determine the outcome of most matters to be decided by shareholders' resolutions. Furthermore, the interests of the controlling shareholders and/or the BRSA may differ from those of the Bank and its creditors. As a result, the controlling shareholders and/or the BRSA may prevent the Bank from making certain decisions, may take certain actions that would benefit them or may take certain actions that fail to protect the interests of the Bank's other constituencies, including investors in the Notes. The Bank's decisions and actions may prioritise the long-term interests of the Group, rather than the interests of the Noteholders. There can be no assurance that the Bank's decisions will not negatively affect the Noteholders.

The Group's growth strategy subjects it to risks associated with the expansion of operations, including the expansion of its branch network

In recent years, the Group has significantly expanded its business primarily through organic growth, including the expansion of its branch network. Although branch expansion slowed during the global financial crisis, the Bank resumed opening new branches in late 2009, a trend which has continued through 2014. The total number of the Bank's branches increased by 19 during the first six months of 2014, in line with the Bank's growth strategy.

As of 30 June 2014, the Bank was monitoring the financial performance of 19 new branches under the “newly opened branches” category. “Newly opened branches” refer to such branches that were opened as part of the Bank’s accelerated branch expansion plan, which was launched in July 2007. Although “newly opened branches” are generally not immediately profitable, they tend to experience an initial period of high growth, which may not be sustainable in the longer term.

There are risks associated with expansion, including higher than expected costs for opening new branches. The profitability of any new branches or new business lines may not develop as expected and may absorb resources which might better be deployed elsewhere in the Group. Any failure to manage growth and maintain focus on existing operations could have a material adverse effect on the Bank’s business, financial condition and/or results of operations.

The Bank is appealing a judgment in the Istanbul Commercial Court and has not recorded any provisions in its financial statements in respect of the judgment

The Bank is a defendant in a lawsuit filed by a Turkish company with respect to amounts collected by the Bank under an agreement for the transfer of shares in exchange for a profit sharing arrangement following the bankruptcy of the company in 1992. The litigation commenced in 2005. In May 2010, the Istanbul Commercial Court issued a judgment against the Bank in the amount of TL 25 million plus accrued interest. The Bank filed an appeal and in September 2012 the Court of Appeals overturned the decision of the Istanbul Commercial Court on the basis of incomplete review of information relating to the dispute. However, in December 2012, one of the plaintiffs objected to the appellate ruling and asked for the correction of the judgment. The Court of Appeals turned down the objection. The Istanbul Commercial Court complied with the Court of Appeals’ decision and reviewed the case, taking into consideration the judgement of the Court of Appeals. In its decision, the Istanbul Commercial Court ruled against the Bank, but it decreased the compensation amount. The Bank has filed an appeal against this new decision of the Istanbul Commercial Court and it has not recorded any provisions in its financial statements in respect of this litigation.

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

The Group relies heavily upon information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If the Group’s information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers’ needs on a timely basis and could thereby lose business. Likewise, a temporary shutdown of the Bank’s information systems could result in costs that are required for information retrieval and verification. In addition, despite its investments in IT infrastructure, failure to update and develop the Group’s existing information systems as effectively as its competitors may result in a loss of the competitive advantages that it believes its information systems provide. Although the Group has developed business continuity plans, back-up systems and a disaster recovery centre, and expects to be able to continue some of its operations through branches in case of emergency, no assurance can be given that failures or interruptions will not occur or that the Group will be able to adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have a materially adverse effect on the Bank’s business, financial condition and/or results of operations.

The Group’s business may be subject to labour disputes

The Group is exposed to the risk of labour disputes and other industrial actions. In total, as of 30 June 2014, 10,406 of the Bank’s employees were members of the Union of Employees working at Banks and Insurance Companies (*Banka ve Sigorta İşçileri Sendikası*) (the “**Union**”), amounting to approximately 58.7% of the Bank’s employees. The Bank may experience strikes, work stoppages or other industrial actions in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Bank’s business, financial condition and/or results of operations.

The Group is subject to operational risk

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or outsiders, unauthorised transactions by employees and other operational errors (including clerical or record

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

The Group is dependent on its senior management and other personnel

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

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

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

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

Risks Related to Turkey

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

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. The Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the "AKP") has been in power since 2002 and is the first party since 1987 to have a parliamentary majority and has thus been able to govern without reliance upon a coalition partner. The AKP was able to maintain its position in the most recent mayoral elections held in 2011, when it was re-elected with approximately 50% of the votes, and again in March 2014, when it was re-elected with approximately 45.5% of the votes. In August 2014, the previous prime minister was elected as the president with a majority of votes amounting to 51.8% within the whole country. Following this, the former minister of foreign affairs was appointed as prime minister and constituted his own cabinet.

Turkey has, both historically and recently, experienced controversies between the Government and the military. In 2007, a series of investigations were commenced including military officers, scholars, journalists and others based upon allegations of a planned coup. The Government has also proposed changes to the Constitution affecting the judicial system in Turkey. On 7 July 2010, the Constitutional Court of Turkey passed the majority of the amendments but cancelled several amended provisions when it published its decision in the Official Gazette on 1 August 2010. The remaining sections of the constitutional amendments were subject to a public referendum that was held on 12 September 2010. Pursuant to the final decision of the High Commission on Elections (*Yüksek Seçim Kurulu*) published on 14 September 2010, 57.88% of the votes cast were in favour of the amendments, resulting in their approval by the public.

Since the end of May 2013, Turkey has experienced on-going internal unrest including protests and demonstrations throughout the country against the current Government's policies. The protests started in Istanbul against plans to replace Gezi Park, an urban park in Istanbul's central Taksim Square, with a commercial development, and they soon spread to Ankara and other major cities in Turkey. These protests resulted in confrontations among protestors and security forces. Since late 2013, Turkish politics have been particularly volatile, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who have since resigned) on suspicions of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Government, police and judiciary. The Government's responses to these events have included the removal of certain prosecutors and police from their offices and proposals to change the manner in which the police and judicial authorities are supervised by the national Government, which has led to concerns about the separation of powers. The above events, which coincided with the US Federal Reserve's decision to reduce monthly asset purchases, have contributed to significant declines in the value of the Turkish stock market and the Turkish Lira.

There can be no assurance that the political instability in Turkey will not continue or that the political situation in Turkey will not further deteriorate. Actual or perceived political instability in Turkey or any negative changes in the political environment, including further conflicts between senior politicians in Turkey or the failure of the Government to devise or implement appropriate economic programmes, may individually or in the aggregate adversely affect the Turkish economy and, in turn, the Group's business, financial condition, results of operations and prospects and the value of the Notes.

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

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

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

Political instability in the Middle East was recently exemplified by the internal conflict in Syria and tension between Iran and Israel. Tensions between Syria and Turkey have intensified following the shooting down of a Turkish aircraft by Syrian forces in June 2012 and more recently a mortar attack on the Turkish border town of Akçakale, which killed five civilians. In response to this, on 4 October 2012, the Government was authorised for a period of one year to send and assign military forces in foreign countries, if deemed necessary, while the United Nations Security Council issued a statement condemning the attack on Akçakale by the Syrian armed forces. On 3 October 2013, the authorisation was extended for an additional year. Similarly, on 2 October 2014, the Government was authorised for a period of one year to send and assign military forces in foreign countries due to terrorist acts conducted by the Islamic State in Iraq and the Levant ("ISIL") in Syria and Iraq and the Government also allowed for foreign anti-ISIL military operations to be launched from within Turkish borders.

In May 2013, a terrorist attack was conducted, resulting in the death of approximately 45 people when two cars exploded at the Turkish Syrian border Reyhanli – Hatay Province. Global tensions with Syria continued to rise in the second half of 2013 with leaders of several Western nations, including the U.S., U.K. and France, calling for military action, although there was widespread domestic and international opposition to such action. In March 2014, Turkey shot down a Syrian combat jet which infringed Turkish airspace despite prior warnings. Turkey has also experienced problems with domestic terrorist and ethnic separatist groups including the People's Congress of Kurdistan, formerly known as PKK.

Since then, the situation in Iraq and Syria has further deteriorated. In June 2014, ISIL and aligned forces began a major offensive in northern Iraq against the Iraqi government, capturing several cities and other territory in this region and oil fields in eastern Syria. In August 2014, the Syrian Observatory for Human Rights reported that ISIL had increased its strength to 50 thousand fighters in Syria and 30 thousand in Iraq. In August and September 2014, a U.S. led coalition began an anti-ISIL aerial campaign in Iraq and Syria. In early October 2014, ISIL besieged the Syrian Kurdish town of Kobani and the Government, to date, has not authorised deployment of its military forces to the Syrian-Turkish border to prevent the city from falling under the control of ISIL. As a result, there has been unrest and protests from Kurdish groups within Turkey.

Although the Bank does not have significant direct exposure with respect to Iraq, many Turkish companies, including many of the Bank's clients, do have such exposure. Therefore, the continuation of this situation and/or its further deterioration could have a material negative impact on the Turkish economy, the business of the Bank's clients and consequently also the Group.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Any escalation of political instability or international military intervention in Syria and/or a more aggressive stance by Assad's allies, Russia, Iran, and China against Turkey and opposition supporters may act as a destabilising factor for Turkey. The high number of refugees within Turkey's borders and foreign intelligence agents infiltrating both refugee camps and local communities remain current threats. Regional conflicts, terrorist attacks and the threat of future terrorism have had and could continue to have a material adverse effect on Turkey's capital markets, the level of tourism, foreign investment and other elements of the Turkish economy and on the Bank's financial condition and results of operations. While the Bank's property and business interruption insurance covers damage to insured property directly caused by terrorism, there can be no assurance that such amounts will be sufficient to cover any losses that it may incur. Finally, escalation of the political instability in the Middle East could be a destabilising factor for Turkey and the region as a whole.

The above circumstances have had and could continue to have a material adverse effect on the Turkish economy and the Bank's clients, and in turn have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

In addition, in early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea (followed by Crimea's independence vote and absorption by Russia) have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. Resolution of Ukraine's political and economic conditions will likely not be obtained for some time, and the situation could even degenerate into increased violence and/or economic collapse. While not directly impacting Turkey's territory, the disputes could negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies. This, in turn, may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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

Emerging markets such as Turkey are subject to a greater risk of being perceived negatively by investors based upon external events than more-developed markets are, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging markets tends to adversely affect stock prices and the prices for debt securities in all emerging market countries as investors move their money to countries that are perceived to be more stable and

economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

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

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

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

However, the Turkish economy has also experienced a succession of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, significant balance of payments deficits, high rates of inflation and high real rates of interest. These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies, particularly between 1994 and 2001.

In 2001, Turkey implemented a macroeconomic programme, backed by a U.S.\$19.0 billion stand-by agreement with the IMF. The Government signed a further three year stand-by agreement with the IMF in 2005. Although there were negotiations on the conditions of a new stand-by agreement between Turkey and the IMF in 2009, these negotiations were unsuccessful and the Government has refrained from signing a new agreement with the IMF, citing disagreement over issues such as funding for local government.

The structural transformation of the Turkish economy in the immediate aftermath of the 2001 financial crisis ushered in an episode of strong growth. From 2002 through 2007, Turkey's GDP expanded by an average of 6.8% in real terms. This period of strong growth was driven mainly by the private sector, whose consumption and investment expenditures grew by 7.8% and 15.3% annually on average within this period. On the other hand, the public sector's contribution to GDP growth was lower as public consumption and investment expenditures expanded by 4.2% and 2.4%, respectively on average. Nonetheless, growth momentum began to weaken from early 2007 as pent-up private demand faded and political concerns from the presidential and parliamentary elections weighed on consumer and business confidence. Consequently, real GDP growth weakened to 4.7% in 2007 from 6.9% in 2006. In 2008, due to the slowdown in global economic activity and continuing political tensions in Turkey, real GDP growth was only 0.7%. The economic contraction that began in 2008 deepened in 2009 as domestic demand slumped sharply and GDP declined by 4.8%. Following the decline in 2009, Turkey's GDP grew by 9.2% in 2010, 8.8% in 2011, 2.2% in 2012, 4.1% in 2013, 4.7% in the first quarter of 2014 and 2.1% in the second quarter of 2014, according to TurkStat. The Turkish Ministry of Economy and the Central Bank took measures to cool down the economy following high growth in 2011 and 2012 and high current account imbalances and the slowdown was achieved albeit at a rate somewhat lower than intended. In 2012, there was a change in the sources of growth as the contribution of domestic demand was negative while that of external demand was positive.

In 2013, as domestic demand started to rebalance, annual GDP growth reached 4.0%. Private consumption increased faster than private investments, with a contribution of 3.4 percentage points to the GDP growth, while the latter barely exceeded its previous year's performance. The GDP growth in the first half of 2014 was primarily driven by an increase in external demand (net exports) and government expenditures which was offset by a significant decline in private consumption and a negative contribution of private investments. Turkey's growth is expected to be negatively impacted during 2014 by a reduction in global liquidity and a decrease in fund flows to emerging markets, as well as continuing volatility in the markets.

The Government's current medium-term economic programme, which came into force in September 2013 and runs through 2016, set growth targets of 4.0% for 2014 and 5.0% for 2015 and 2016, as well as a gradual

decrease in the net public debt to GDP ratio. As of 31 March 2014, the EU defined general government nominal debt to GDP ratio was 35.8%. Co-operation with the IMF is expected to continue for the immediate future. It is likely that this co-operation will focus on structural reform and other areas envisaged under the medium-term programme.

There can be no assurance that Turkey and the IMF will reach a mutual understanding over new macroeconomic targets and, even if agreed upon, there can be no assurance that any such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or that IMF support for Turkey will continue. Furthermore, there can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. Future negative developments in the Turkish economy could impair the Bank's business strategies and have a material adverse effect on the Bank's business, financial condition and results of operations.

After having successfully completed two stand-by arrangements with the IMF, Turkey paid the last instalment to the IMF in May 2013 and is currently not liable for further payments.

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

In the past, Turkey has experienced high annual rates of inflation. This has historically been considered one of the most significant problems faced by the Turkish economy, although the current account deficit has been of increasing focus in recent years.

Over the five-year period ended 31 December 2002, the Turkish economy experienced annual inflation averaging approximately 54.4% per year as measured by the CPI. Disinflationary measures were adopted in 2002 and by 2005, the annual CPI had fallen to 7.7%. Although Turkey adopted an open inflation targeting framework in 2006 with binding inflation targets, inflation, as measured by the CPI, remained in the range of 9% to 11% between 2006 and 2008, above the Central Bank's medium-range target of 5%, and was driven by a succession of inflationary shocks such as the depreciation of the Turkish Lira in 2006 and a surge in commodity prices in 2007 and 2008. The annual CPI climbed to 9.5% in 2006 (compared to the target rate of 5%) and, in 2007 and 2008, the annual CPI rates were 8.4% and 10.1%, respectively. As a result of weak domestic demand and declining energy prices, the annual CPI in 2009 was 6.5%, the lowest level in many years. From 31 December 2009 to 31 March 2010, inflation grew by 3.9%, due to temporary increases in government expenditure and increased taxes. However, as government expenditure was curtailed in the first half of 2010, inflation decreased, and the CPI amounted to 6.4% in 2010 and 6.2% during the first half of 2011, although inflation increased by 10.4% on a year-to-year basis by December 2011, driven by the depreciation of the Turkish Lira. For the year ended 31 December 2012, the CPI decreased to 6.2% in line with a gradual slowdown in economic growth which outpaced expectations, and for the year ended 31 December 2013, the CPI was 7.4%. As of 30 June 2014, the CPI was 9.2%. Emerging markets experienced volatility in inflationary pressures during the first half of 2013 in line with expectations of fiscal tightening in developed markets, particularly by the United States Federal Reserve. Capital outflows have led to the depreciation of domestic currencies in all emerging markets.

Although recent policies have had some success in reducing inflation, there can be no assurance that they will continue to be successful in the future, especially given Turkey's substantial current account deficit and global liquidity conditions. If the level of inflation in Turkey were again to fluctuate or increase significantly (for any reason), then the Bank's costs may increase, and, if not accompanied by an increase in interest rates, then its operating and net margins may decrease. Inflationary pressures may also curtail the Bank's ability to access foreign financial markets and may lead to further Government intervention in the economy, including the introduction of Government policies that may adversely affect the overall performance of the Turkish economy. The various impacts of inflation thus may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Moreover, the size of Turkey's current account deficit could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations. The current account deficit widened significantly from U.S.\$45.4 billion in 2010 (6.2% of GDP) to U.S.\$75.1 billion (9.7% of GDP) in 2011, according to the Central Bank. This rapid widening raised concerns regarding financial stability in Turkey, and led to the Central Bank, the BRSA and the Ministry of Finance initiating coordinated measures 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 down the widening of the

current account deficit by controlling the rate of loan growth. The 12-month rolling current account deficit decreased to U.S.\$65.1 billion as of 31 December 2013 from U.S.\$75.1 billion as of 31 December 2011, and it stood at U.S.\$52.1 billion as of 30 June 2014. The current account deficit still remains a significant concern for policy makers and may be subject to further intervention. Should the Central Bank adopt any additional measures to limit any increase in the current account deficit, such measures would likely reduce economic growth and, in turn, have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The value of the Turkish Lira fluctuates against other currencies

The Turkish Lira depreciated by approximately 9.5% in 2013 in real terms, according to the Central Bank's CPI-based Real Effective Exchange Rate Index, but appreciated by approximately 2.4% during the first six months of 2014. Turkey had current account deficits of U.S.\$40.4 billion in 2008 (5.5% of GDP), U.S.\$12.2 billion in 2009 (2.0% of GDP), U.S.\$45.4 billion in 2010 (6.2% of GDP), U.S.\$75.1 billion in 2011 (9.7% of GDP), U.S.\$48.5 billion in 2012 (6.2% of GDP), U.S.\$65.1 billion in 2013 (7.9% of GDP) and U.S.\$24.1 billion in the first quarter of 2014 (expected to be around 6.3% of GDP by the year end, according to the Central Bank). The decline between 2011 and 2012 was mainly driven by the non-energy portion of the deficit resulting from a reduction in domestic demand, while the increase in 2013 was mainly driven by gold imports. In 2014 the recovery in the current account deficit stemmed from sluggish domestic demand and the recovery on the foreign trade front. The Central Bank's monetary policy aims to create a sustainable balance between external and domestic demand, but it will take time for the effects of the measures taken to be seen. As signs of economic recovery have appeared, Turkey's current account deficit has started to escalate. Given Turkey's savings and investments structure, it is not possible for Turkey to achieve its targeted growth figures without current account imbalances. Should the current account deficit widen persistently, this may lead to a sudden adjustment in the Turkish Lira with inflationary consequences. If the downturn in the global financial markets continues, this could have an adverse effect on Turkey's debt servicing ability. Although the Turkish Lira has a more stable outlook compared to the 1990s, the exchange rate remains volatile. Any significant further depreciation of the Turkish Lira against the U.S. dollar or other major currencies may adversely affect the financial condition of Turkey as a whole and may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Turkey is subject to earthquakes

Almost all of Turkey is classified in a high risk earthquake zone by seismologists. Almost 45% of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone. Turkey has experienced a large number of earthquakes in recent years, some of which have been quite significant in magnitude. In 1999, separate earthquakes measuring 7.5 and 7.2 on the Richter scale struck an area near the city of Izmit, and the city of Düzce, respectively, resulting in the loss of thousands of lives and the destruction of many buildings. These earthquakes resulted in substantial financial costs to Turkey. As recently as October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing property damage and the loss of several lives. The Bank maintains insurance policies covering earthquake damages and appropriate measures have been taken to minimise the risks associated with potential earthquakes, such as operating a disaster recovery centre in a lower earthquake risk zone for the continuation of its operations. However, in the event of major earthquakes, effects from the direct impact of such events on the Group and its employees, as well as measures that could be taken by the Government (such as the imposition of taxes to raise revenue for rebuilding), may have a material adverse effect on the Group. To finance in part the rebuilding of the areas affected by the large earthquakes of 1999, a package of measures was passed by the Turkish Parliament in November 1999, including a new law that subjected interest earned on domestic treasury securities issued before 1 December 1999 to an additional tax at a rate of 4% to 19% depending upon their maturity. There can be no assurance that Turkey would recover from the negative economic impact of a major earthquake or that the recent GDP growth rate would be sustainable. A severe earthquake could negatively impact the Turkish economy, which could adversely affect the Turkish banking sector and the Bank's business, financial condition and/or results of operations.

The Government may default on its debts

Turkish banks have traditionally invested a large portion of their assets in securities issued by the Government. As of 30 June 2014, more than 88% of the Bank's securities portfolio was invested in securities issued by the Government (representing approximately 11% of its total assets). The Bank's securities to

assets ratio was 12.4% as of 30 June 2014, in comparison with the 16% sector average as of 30 June 2014. In addition to any direct losses that the Group might incur, a default, or the perception of an increased risk of default by the Government in making payments on its securities or the downgrade in Turkey's credit rating would likely have a significant negative impact on the Turkish banking system generally and thus may affect the Bank's business, financial condition and/or results of operations.

Turkey may not accede to the European Union as intended

Turkey has a long-standing relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey commenced negotiations on its accession to the EU in October 2005 and expects to join the EU at some point in the future. However, Turkey's accession depends on a number of economic and political factors relating to both Turkey and the EU. Although the shared objective of the negotiations is accession, these negotiations are an open ended process, the outcome and timing of which cannot be guaranteed. The EU decided in December 2006 to suspend negotiations in eight out of 35 parts, or "chapters," and not to "close" the other 27 chapters of Turkey's accession negotiations because of Turkey's restrictions with respect to the Greek Cypriot Administration. Although Turkey continues to express a desire to become a member state of the EU, it may not become one for several more years, if at all. Delays or other adverse developments in Turkey's accession to the EU may have a negative effect on Turkey's economy in general, and Turkey's economic performance and credit ratings in particular and could, as a result, have an adverse effect on the Bank's financial position and results of operations.

Risks Related to the Turkish Banking Industry

The Turkish banking system is subject to risks

The Turkish financial sector has gone through major changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, the liberalisation of deposit and credit interest rates and liberal exchange rate policies, as well as the adoption of international banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility of the Turkish Lira and foreign exchange markets experienced in 1994, 1998 and in 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several banks.

Following this crisis, the Government made structural changes to the Turkish banking system to strengthen the private (i.e., non-governmental) banking sector and to allow it to compete more effectively against the state-controlled banks (Türkiye Halk Bankası ("**Halkbank**"), Türkiye Vakıflar Bankası T.A.O. ("**VakifBank**") and T.C. Ziraat Bankası ("**Ziraat**"). Notwithstanding these changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another crisis, 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. See "*Turkish Regulatory Environment*" for a further discussion of the Turkish banking regulatory environment.

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

The level of competition in the Turkish banking sector has markedly increased in the past several years as a result of the increased presence of public banks in the private sector and foreign bank interest in Turkey. According to the BRSA, as of 30 June 2014, the top seven banking groups in Turkey (including the Bank), three of which are state-controlled, held in aggregate, approximately 74% of the Turkish banking sector's total loan portfolio, approximately 74% of total banking assets in Turkey and approximately 78% of total deposits in Turkey. Loan growth in the banking sector in Turkey was 4% and 3% for the first and second quarters of 2014, respectively, while deposit growth remained stable at 1% for the first half of 2014, according to BRSA weekly data.

In addition to private banks, the Bank also faces competition from state-owned financial institutions, such as HalkBank, VakifBank and Ziraat. These government-owned financial institutions historically focused on

government and government-related projects but are increasingly focusing on the private sector (including retail and SMEs), thereby increasing competition and pressure on margins. In particular, such government-owned institutions may have access to payroll accounts of state employees, low cost deposits (on which such institutions pay low or no interest) through State Economic Enterprises owned or administered by the Government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-owned financial institutions, in addition to ongoing competitive pressures from private financial institutions, have caused net interest margins to decline across the Turkish banking market in 2011. However, in 2012, net interest margin in the banking sector widened as banks repriced deposits faster than loans to reflect lower prevailing rates. During the latter part of 2013 and the first quarter of 2014, net interest margins in the banking sector decreased. This was due to deposit costs rising faster than loan yields. In the first and second quarter of 2014, net interest margin in the banking sector was 3.4% and 3.6%, respectively, according to BRSA weekly data.

During recent years, foreign banks have shown an increased interest in the banking sector in Turkey. Foreign banks such as BNP Paribas, Citigroup, HSBC, ING, National Bank of Greece, UniCredit and Sberbank have acquired interests in Turkish banks. In addition, various smaller-size banks such as Odeabank have also established their own franchises. The Bank believes that further entries into the Turkish banking sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could further increase competition in the market. In addition to direct investment, foreign banks are expanding their business presences in Turkey, further increasing competitive pressures. There can be no assurance that further competitive pressures will not result in continued margin compression, which may have a material adverse effect on the Bank's business, financial condition and/or results of operations

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

In December 2010, the Central Bank announced a policy of reducing interest rates while increasing Turkish Lira reserve requirements in order to deal with Turkey's current account deficit. Since that time, the Central Bank has announced significant increases in bank reserve requirements for Turkish Lira deposits as part of its strategy to lengthen the maturities of assets flowing into the country and to address concerns that maturities of liabilities in the Turkish banking sector are shorter than those of assets, which in turn exposed the sector to liquidity and interest rate risk.

The Turkish Lira reserve requirement for deposits, which was a blanket 6.0% in 2010, has been increased on a tiered basis so that it will range from 11.5% for demand deposits, notice deposits and current accounts, to 8.5% for deposits, participation accounts and special fund pools with up to six-month maturities. For deposits, participation accounts and special fund pools with up to and over one year maturities, Turkish Lira reserve requirement ratios are 6.5% and 5.0%, respectively. For other liabilities (other than equity), Turkish Lira reserve requirement ratio varies based on maturity with 5.0% (over three years), 8.0% (one to three years) and 11.5% (up to one year).

The foreign currency reserve requirement for deposits was a blanket 11% in 2010. It has been increased on a tiered basis starting at 13% for demand deposits, notice deposits and current accounts, participation accounts and special fund pools with up to one-year maturities. For deposits, participation accounts and special fund pools with over one-year maturities, the applicable rate is 9%. For other liabilities (other than equity), the foreign currency reserve requirement ratio varies based on maturity, with 6% for liabilities with a maturity over three years, 11% for a maturity of one to three years and 13% for a maturity up to one year.

Since 2012, the Central Bank has granted banks the flexibility to keep up to 60% of their Turkish Lira reserve requirements in foreign currency and 30% of their Turkish Lira reserve requirements in gold with the aim of improving its reserves, providing Turkish Lira liquidity to the system and auto-balancing the foreign exchange movements. The Central Bank has also implemented reserve option coefficients for the calculation of the respective foreign currency and gold amounts. This mechanism acts as a stabiliser for currency movements as it provides banks the flexibility to adjust their reserves at the Central Bank depending on their liquidity needs. The banking sector sought to compensate for the resulting increased reserve requirements by increasing loan pricing, although this was limited by the impact of competition. As a result, the overall impact of these actions on the profitability of the banking sector (including the Group) was limited in 2011 and 2012. On 1 February 2013, the BRSA released a draft communiqué on capital base calculation and capital adequacy rules. The consultation period for these draft regulations ended on 1 March 2013. On 5 September 2013, the

regulation on equities of banks and the amendments to the regulation on capital adequacy requirements were published in the Official Gazette numbered 28756. The regulation on equities of banks and the amendments to the regulation on capital adequacy requirements also entered into force as of 1 January 2014. On 6 August 2014, the BRSA announced that a number of draft regulations, including a guide for stress tests on liquidity and regulation on the calculation of internal capital adequacy, presented for public opinion as part of BRSA's efforts of promulgating Basel III requirements by April 2014, had been finalised and announced in the Official Gazette. On 6 September 2014, an amendment to the Regulation on Equities of Banks, the draft of which was presented for public opinion in June 2014, was published in the Official Gazette and entered into force. This amendment introduced certain novelties as to BRSA's authority to write off Tier 1 and Tier 2 debt instruments. In addition to this amendment, on 6 September 2014, an amendment to the Capital Adequacy Regulation was published in the Official Gazette as well as other regulations as to calculation of capital adequacy as part of BRSA's efforts to adopt Basel III requirements. The Central Bank reduced the monthly cap on individual credit card interest rates from 2.34% in 2012 to 2.22% as of 1 April 2013 and further to 2.12% as of 1 July 2013. On 5 August 2013, the Central Bank introduced caps on commercial credit cards interest rates in line with the caps on individual cards. Accordingly, the ceiling for commercial cards contractual interest rate is set at 2.12%.

On 27 May 2013, the Central Bank has made an amendment in the *Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions*. In this regard, the Central Bank introduced an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts will not exceed that of credit cards.

On 5 June 2013, the draft of the consumer protection law was submitted to the Grand National Assembly (TBMM). The draft regulation was finalised and accordingly published in the Official Gazette as of 28 November 2013 and entered into force within six months following its publication. The regulation's main aim is to increase transparency and comparability between banks so that customers can make more informed decisions. Pursuant to this or other regulations, the Government may impose limits or prohibitions on interest rates, fees and/or commissions charged to customers, including fees associated with credit cards, or otherwise affect payments received by the Group from its customers, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In light of such new laws and regulation, additional regulatory proceedings or actions may be commenced by the BRSA and other regulators against Turkish banks, including the Group, to seek to reduce fees and /or impose additional fines or penalties, which could be material. In 2012, the Group's profit was negatively impacted by regulatory changes in the Turkish banking sector including regulatory change on loan related fees, decrease in regulatory cap of liquid fund management fees and increase on general provisioning requirements for general purpose and rescheduled loans. For the year ended 31 December 2012, the Group's profit for the year was TL 2,098 million, an 8% decrease from TL 2,291 million for the year ended 31 December 2011. According to the Annual BRSA Financial Statements, higher loan loss provisions due to an increase on general provisioning requirements for general purpose and rescheduled loans, as well as lower net fees and commissions due to the impact of regulatory change on loan related fees, were the main drivers of the 8% decline in the Bank's profit for the year ended 31 December 2012 (compared to the same period in 2011).

On 8 October 2013, the BRSA additionally introduced new regulations which aim to limit the expansion of individual loans (especially credit card instalments). In addition, a draft regulation on commissions and fees has been published and the final version is awaited, pursuant to which credit card commissions and fees, including cash advance with an instalment fee, late payment notification fee and a card fee for inactive cards with at least 180 days of inactivity, cannot be charged. If adopted, the regulation may have a material adverse effect on the Group's non-interest revenue.

In 2013, the Group's profitability was negatively impacted by the Turkish Competition Board's fine imposed against most Turkish banks. As a result of the investigation of the Turkish Competition Board regarding the violation of the fourth article of the Protection of Competition Law No. 4054, an administrative fine amounting to TL 149,962 thousand was imposed against Yapı ve Kredi Bankası A.Ş., in accordance with the decision of Competition Board numbered 13-13/198-100, dated 8 March 2013. In accordance with Article 17 of the Misdemeanor Law No. 5326, it is possible to pay only 75% of such administrative fine, amounting to TL 112,471 thousand, within thirty days following the notification of the decision. The Bank benefitted from the early payment option and paid TL 112,471 thousand to the relevant directorate of revenues on 14 August

2013. The decision of Turkish Competition Board numbered 13-13/198-100, dated 8 March 2013 has also been appealed before the Second District of Ankara Administrative Court.

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

Although the Group will seek to limit the impact of these factors through its strategy of focusing on profitable sectors and clients, rather than solely on overall growth, there is no assurance that the Group's profitability or financial position (including capitalisation levels) will not be materially and adversely impacted as a result of such factors.

International guidelines for banking regulation and implementation in Turkey are subject to ongoing changes

In June 2004, the Basel Committee on Banking Supervision (the "**Basel Committee**") published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework," which sets out a new capital adequacy framework (commonly referred to as "**Basel II**") to replace the Basel Capital Accord issued in 1988. Basel II was implemented in Turkey in stages and was fully adopted during the second half of 2012.

The Bank began reporting under Basel II on 31 July 2012 and the implementation of Basel II has reduced the Bank's Tier 1 capital adequacy ratio, which resulted in the Bank taking certain actions to limit the negative impact, including the issuance of subordinated debt, reclassification of held-to-maturity securities to available-for sale securities, re-valuation of subsidiaries and risk weighted asset optimisation. As a result, the Bank's capital adequacy ratio as at 31 December 2012 was 16.3% in accordance with Basel II requirements, compared to 14.7% as at 31 December 2011. The Bank's capital adequacy ratio was 16.0% and 15.4% as of 31 December 2013 and 30 June 2014, respectively.

On 1 February 2013, the BRSA published draft regulations for the implementation of Basel III in Turkey. The consultation period for these draft regulations ended on 1 March 2013 and the BRSA made a public announcement on 1 July 2013 that Basel III requirements to be adopted with the regulations would be effective as of 1 January 2014. On 5 September 2013, the regulation on equities of banks and the amendments to the regulation on capital adequacy requirements were published in the Official Gazette numbered 28756. The regulation on equities of banks and the amendments to the regulation on capital adequacy requirements were also effective as of 1 January 2014.

On 6 August 2014, the BRSA announced that a number of draft regulations, including a guide for stress tests on liquidity and regulation on the calculation of internal capital adequacy, presented for public opinion as part of BRSA's efforts of promulgating Basel III requirements by April 2014, had been finalised and announced in the Official Gazette. On 6 September 2014 an amendment to the Regulation on Equities of Banks, the draft of which was presented for public opinion by June 2014, was published in the Official Gazette and entered into force. This amendment introduced certain novelties as to BRSA's authority to write off Tier 1 and Tier 2 debt instruments. In addition to this amendment, on 6 September 2014, an amendment to the Capital Adequacy Regulation was published in the Official Gazette and other regulations as to calculation of capital adequacy as part of BRSA's efforts to adopt Basel III requirements.

Further new international guidelines for banking regulation may be implemented, enforced or interpreted in a manner that could have an adverse effect on the Group's business, financial condition, cash flows and/or results of operations. In addition, any breach of regulatory guidelines or any failure to adopt adequate responses to their changes could expose the Group to potential liabilities or sanctions and, in turn, have an adverse effect on the Group's business, financial condition, cash flows and/or results of operations.

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

The Group is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations, and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA and the Central Bank), as well as laws and regulations of certain other countries where the Group operates. Banking laws and regulations in Turkey and the manner in which those laws and regulations are applied to the operations of financial institutions are still evolving. Furthermore, as a result of the recent global economic crisis, policy makers in Turkey, the EU and other jurisdictions have enacted or proposed various new laws and regulations and there is uncertainty as to what impact these changes may have. New regulations may be implemented rapidly, without substantial consultation with the industry, which may not allow sufficient time for the Group to adjust its strategy to deal with such changes. New regulations may increase the Group's cost of doing business or limit its activities. Turkish banking regulations rapidly changed in the second half of 2011 and 2012 in response to Turkey's robust domestic growth, driven by higher local demand, which widened the current account deficit and strengthened capital inflows. Most recently, the Central Bank introduced a new monetary policy as a result of slowdowns in domestic growth and debt sustainability concerns in Europe. The BRSA from time to time promulgates new regulations and guidelines as part of its attempt to adjust the Turkish banking system to Basel requirements. See "*—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*".

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

The Group is dependent on its banking and other licences

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

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

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

Risks Related to the Structure of a Particular Issue of Notes

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

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

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

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

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

Fixed/Floating Rate Notes are Notes which 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, this may affect the secondary market and the market value of the Notes since the Issuer may 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, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

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

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

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

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

commissions related thereto, or payment made in the Specified Currency may result in a Noteholder receiving an amount that is less than the amount that such Noteholder might have obtained had it received the payment in the Specified Currency and converted such payment in an alternative manner or if payment had been made in accordance with the relevant currency election.

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

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

Risks Related to Renminbi Notes

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

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

Renminbi is not freely convertible at present. 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. Currently, 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 7 April 2011, the State Administration of Foreign Exchange of the PRC promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the “**SAFE Circular**”), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce (“**MOFCOM**”) to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 12 October 2011, MOFCOM promulgated the “Circular on Certain Issues Concerning Direct Investment Involving Cross border Renminbi” (商务部关于跨境人民币直接投资有关问题的通知) (the “**MOFCOM Circular**”). Pursuant to the MOFCOM Circular, MOFCOM and its local counterparts are authorised to approve Renminbi foreign direct investments (“**FDI**”) in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which 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 13 October 2011, the People’s Bank of China (the “**PBoC**”) promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (外商直接投资人民币结算业务管理办法) (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 14 June 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 SAFE Circular, 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 liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such 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. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBoC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong and Taiwan. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited and Bank of China, Taipei Branch (each an “**RMB Clearing Bank**”) has entered into settlement agreements with the PBoC to act as the RMB clearing bank in Singapore, Hong Kong and Taiwan respectively.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. They 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 only 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. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

Investment in Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. Dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. Dollar or other foreign currencies, the value of investment in U.S. Dollar or other applicable foreign currency terms will decline.

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

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

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

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

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

Gains on the transfer of the 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 realised on the transfer of the Renminbi Notes by holders who are deemed under the New Enterprise Income Tax Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes 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 administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Renminbi Bonds 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, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively 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 Renminbi Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, holders of Renminbi Notes who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Renminbi Notes.

If a holder of 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 the Renminbi Notes, the value of the relevant holder's investment in the Renminbi Notes may be materially and adversely affected.

Risks Related to the Notes Generally

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

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

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

The Notes constitute unsecured obligations of the Bank

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

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

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree 2009/14592 dated 12 January 2009 which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the “**Tax Decrees**”). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10 per cent., (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7 per cent., (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3 per cent., and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0 per cent. The Bank will have the right to redeem the Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, on the next Interest Payment Date the Bank would be required: (A) to pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 9 on account of any Taxes (as defined in Condition 9.1) and (B) to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, and such requirement cannot be avoided by the Bank taking reasonable measures available to it. Upon such a redemption, investors in such Series of Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes and, in the case of any Floating Rate Notes, the redemption could take place on any relevant date during an Interest Period.

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

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

Although the Notes have been authorised by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the Capital Markets Law and related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: under any applicable state's or other jurisdiction's securities laws, or any applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made outside of the United States pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes may be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer.

Further to the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*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 Turkey. The Bank has been granted an exemption from the requirement to dematerialise the Notes at the CRA under the CMB's letter dated 20 May 2014 and numbered 29833736-105.03.01-1038. Accordingly, as of the date of this Base Prospectus, Notes to be issued under the CMB's issuance limit granted with its letter dated 20 May 2014 and numbered 29833736-105.03.01-1038 are exempt from dematerialisation at the CRA.

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

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

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

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

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

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

The Notes will be represented by one or more Global Notes, except in certain limited circumstances described in the Global Notes that may be deposited with a common depository for Euroclear and Clearstream,

Luxembourg (as defined previously in this Base Prospectus). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

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

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

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

Modification, waivers and substitution

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

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

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

Further notes may be issued without the consent of the Noteholders

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

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

Under Council Directive 2003/48/EC on the taxation of savings income (“**EU Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest (or similar income) paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is 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 (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for such a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, 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. If a Paying Agent in a Member State would be obliged to withhold or deduct tax from a payment pursuant to the EU Savings Directive, the relevant Issuer will be required to maintain a Paying Agent in a different Member State that will not be obliged to make such a withholding or deduction from that payment.

U.S. Foreign Account Tax Compliance Withholding

If the Notes are significantly modified after the date (the “**grandfathering date**”) which is the date that is six months after the date on which final Treasury Regulations defining the term “foreign passthru payment” are filed with the Federal Register, then, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any Treasury Regulations issued thereunder, or any similar law implementing an intergovernmental approach thereto (“**FATCA**”), the Issuer and any paying agents through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of such Notes. Treasury Regulations defining the term “foreign passthru payment” have not been filed with the Federal Register. In addition, if the Issuer creates and issues further notes after the grandfathering date that are consolidated and form a single series with Notes outstanding on the grandfathering date as permitted by Condition 17 (*Further Issues*), a withholding agent may not be able to distinguish between the outstanding Notes and the further notes, which may result in withholding on both the outstanding Notes and the further notes, unless such further notes are issued pursuant to a “qualified reopening” of the outstanding Notes for U.S. federal income tax purposes. The FATCA withholding tax may be triggered (a) with respect to certain payments to any non-U.S. financial institution (an “**FFI**”) that either (1) does not become a “**Participating FFI**” by entering into an agreement with the U.S. Internal Revenue Service (the “**IRS**”) to provide the IRS with certain information in respect of its account holders and investors or (2) is not otherwise exempt from or deemed in compliance with FATCA and (b) with respect to certain payments to any investor that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of a Participating FFI (unless otherwise exempt from FATCA).

Turkey and the United States have reached an agreement in substance to enter into a Model 1 intergovernmental agreement (an “IGA”) to help implement FATCA for certain Turkish entities. If the IGA is entered into as agreed in substance, payments of U.S. source income to Turkish “financial institutions”, as defined under the IGA, including the Issuer, would not be subject to FATCA withholding *provided that* they are in compliance with the IGA. However, the Issuer and other Turkish “financial institutions” would be required to report certain information regarding their respective U.S. account holders to the Turkish Government, which information may ultimately be reported to the U.S. Internal Revenue Service. Passthru payment withholding is not currently important under a Model 1 IGA. However, there can be no assurance that Turkey and the United States will in fact enter into an IGA or that the IGA will not be amended in the future to impose withholding on passthru payments.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If FATCA were to require that an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on (or with respect to) the Notes, then neither the Issuer, any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected.

Risks related to the Market Generally

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

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

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

The market price of the Notes may be volatile

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

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

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

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the 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.

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

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

Credit ratings - Credit ratings assigned to the 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. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction 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.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Terms and Conditions of the Notes contained on pages 65 to 97 of the Base Prospectus dated 20 September 2013, which is published on the website of the Irish Stock Exchange at:
http://www.ise.ie/debt_documents/Base%20Prospectus_71dc8965-41c6-4da1-8db2-07fdbf0fabbd.PDF;
- (b) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2013 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/2013-aralik-cons-signed_16495/download.aspx;
- (c) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-december-2012-signed_14415/download.aspx;
- (d) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_14414/download.aspx;
- (e) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/9m14-consolidated_17928/download.aspx;
- (f) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/consolidated-signed_17528/download.aspx;
- (g) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-march-2014-signed_17079/download.aspx;
- (h) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2013 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/assets/pdf/2013_brsa_unconsolidated_financial_report_signed_E6C83.pdf;
- (i) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31_15057/download.aspx;

- (j) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_15058/download.aspx;

- (k) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/9m14-unconsoolidated_17930/download.aspx;

- (l) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/solo-signed_17537/download.aspx; and

- (m) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Group as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-march-2014-signed_17081/download.aspx.

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

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes in accordance with Article 16 of the Prospectus Directive.

OVERVIEW OF THE GROUP AND THE PROGRAMME

Overview of the Bank

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Base Prospectus, including the Financial Statements. Prospective investors should see “Risk Factors” for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

Overview

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

According to BRSA statistics, as of 30 June 2014, the Bank was the fourth largest private bank in Turkey by total assets and ranked fifth in total cash loans (loans other than letters of guarantee, letters of credit and acceptances) with a 9.8% market share, and sixth in total deposits with a 9.6% market share. The Bank maintains market-leading positions in key segments and products supported by its strong franchise, large network and leading brand. The Bank’s shares are listed on the Borsa Istanbul and its global depositary receipts are listed on the London Stock Exchange.

As of 30 June 2014, the Bank had the fifth largest branch network in Turkey according to the Turkish Banking Association, with 968 branches covering all regions of Turkey (and one branch in Bahrain) and served approximately 10.2 million customers. In addition to its branch network, the Bank offers products and services through a wide array of alternative distribution channels (“ADCs”) (including 3,093 ATMs, 87% of which are “advanced” ATMs with cash deposit functionality (the seventh largest ATM network in Turkey with a 7.2% market share), award winning individual and corporate internet banking with 3.6 million customers, a leading position in mobile banking with a 10.1% market share as well as two award-winning call centres, as of 30 June 2014. See “*Business of the Bank—Distribution—Alternative Channels*”. Internationally, the Group carries out business through subsidiaries in the Netherlands, Russia and Azerbaijan and a branch in Bahrain.

The Group had total assets of TL 170.6 billion (U.S.\$80.3 billion) as of 30 June 2014, compared with TL 160.3 billion as of 31 December 2013, TL 131.5 billion as of 31 December 2012 and TL 117.5 billion as of 31 December 2011, according to BRSA statistics.

According to BRSA consolidated financial statements for the six month period ended 30 June 2014, the Group had operating income of TL 2,122 million (U.S.\$981.3 million) compared to TL 2,313 million for the six month period ended 30 June 2013. For the year ended 31 December 2013, the Group had operating income of TL 4,515 million (U.S.\$2,385 million), compared with operating income of TL 3,989 million (U.S.\$2,282 million) for the year ended 31 December 2012 and TL 3,737 million (U.S.\$2,294 million) for the year ended 31 December 2011. For the six month period ended 30 June 2014, the Group’s cost to income ratio was 48.1%. For the year ended 31 December 2013, the Group’s cost to income ratio was 44.0%, compared to 40.6% in 2012 and 41.0% in 2011. The Group’s net income was TL 929 million and its return on average shareholders’ equity (excluding minority interest) was 10.2% for the six month period ended 30 June 2014 compared with TL 1,293 million and 16.7%, respectively, for the six month period ended 30 June 2013. The Group’s net income was TL 3,659 million (excluding capital gain of TL 1,284 million (post tax) from the sale of insurance business, the Group had net income of TL 2,375 million) and its return on average shareholders’ equity excluding minority interest was 27.7% (16.7% excluding sale of insurance business) for the year ended 31 December 2013 compared with TL 2,098 million and 17.6%, respectively, for the year ended 31 December 2012 and TL 2,291 million and 21.7%, respectively, for the year ended 31 December 2011. As of 30 June 2014, 31 December 2013 and 31 December 2012, the Bank’s capital adequacy ratio was 15.4%, 16.0% and 16.3%, respectively, and the Group’s capital adequacy ratio was 14.8%, 15.3% and 15.2%, respectively, on a consolidated basis.

Organisation

The Bank’s operations are carried out through three main segments: (1) retail banking, which includes the Bank’s individual, SME and card payment systems, and SME business segments, (2) corporate and

commercial banking, and (3) private banking and wealth management. The Bank's service model is supported by its domestic and international subsidiaries.

Principal Shareholder

The Bank's controlling shareholder is KFS which holds an 81.8% stake. The remaining 18.2% of the Bank's shares are publicly traded and held by minority shareholders. KFS is a joint venture between Koç Group and UniCredit Group (Koç Group and UniCredit Group each own 50% of the shares in KFS). Koç Group is one of Turkey's largest conglomerates in terms of turnover and exports, with operations in the energy, automotive, consumer durables and finance sectors. UniCredit Group is a global financial institution with an established presence in 22 European countries and 50 other financial markets.

Key Competitive Advantages

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

- Leading market positions in key segments and products.
- Robust and customer-oriented balance sheet.
- Large network and leading brand.
- Strong commitment to risk management.
- Diversified, high quality revenue mix.
- Proven track record of cost control and efficiency improvements.
- Strong and committed shareholders.

Strategy

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

Principles

- The Bank's strategy is structured around three main principles:
- healthy and consistent growth;
- strong and sustainable profitability; and
- superior and long-lasting customer satisfaction.

The Programme

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

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

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

Issuer: Yapı ve Kredi Bankası A.Ş.

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

These are set out under “*Risk Factors*” and include risks relating to the Group and its business, the Group’s relationship with the Issuer’s principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These are set out under “*Risk Factors*” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Description: Global Medium Term Note Programme

Arrangers: Deutsche Bank AG, London Branch
UniCredit Bank AG

Dealers: Deutsche Bank AG, London Branch
Citigroup Global Markets Limited
Commerzbank Aktiengesellschaft
Goldman Sachs International
HSBC Bank plc
J.P. Morgan Securities plc
Merrill Lynch International
Mitsubishi UFJ Securities International plc
Société Générale
Standard Chartered Bank
UniCredit Bank AG

or such other Dealers as may be appointed in accordance with the Programme Agreement. Pursuant to the terms of the Programme Agreement, the Issuer may terminate the appointment of any Dealer or appoint further dealers for a particular Series of Notes.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”).

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

Programme Size: Up to U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

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

Currencies: Notes may be denominated and payments in respect of the Notes may be made in euro, Renminbi, Sterling, U.S. dollars, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency as set out in the conditions and specified in the applicable Final Terms.

If specified in the applicable Final Terms, payment in respect of Notes denominated in Turkish Lira and may be made in U.S. dollars under Condition 7.10 if an irrevocable election to receive such payment in U.S. dollars is made. See “*Terms and*

Conditions of the Notes – Condition 7.10”.

Payment in respect of Notes denominated in Renminbi may be made in U.S. dollars if RMB Currency Events are specified in the applicable Final Terms and a RMB Currency Event occurs. See “*Terms and Conditions of the Notes – Condition 7.9*”.

Maturities:	The maturity of the Notes shall be specified in the applicable Final Terms in accordance with such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as specified in the applicable Final Terms and, on redemption, will be calculated on the basis of such Day Count Fraction as specified in the applicable Final Terms.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none">(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions or the 2006 ISDA Definitions (each as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series), as specified in the applicable Final Terms; or(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service. <p>The margin (if any) relating to such floating rate will be specified in the applicable Final Terms for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as specified in the applicable Final Terms.</p>
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the

Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at the price or prices specified in the applicable Final Terms.

Denomination of Notes:

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

Taxation:

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

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Certain Covenants:

The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates.

Events of Default:

The Notes will be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See “*Terms and Conditions of the Notes – Condition 11*”.

Status of the Notes:

The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

Rating:	<p>The Programme has been rated BBB by Fitch and Baa3 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
Listing and admission to trading:	<p>Application has been made to the Irish Stock Exchange for certain Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market, <i>however</i>, no assurance can be given that such application will be accepted.</p> <p>The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law:	<p>The Notes and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement will be governed by, and shall be construed in accordance with, English law.</p>
Selling Restrictions:	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Turkey, Hong Kong, the People's Republic of China and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "<i>Subscription and Sale</i>".</p>
United States Selling Restrictions:	<p>Regulation S (Category 2). 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 Bearer Notes.</p>

FORM OF THE NOTES

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

Bearer Notes

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

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

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

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

The applicable Final Terms will specify that a Temporary Bearer Global Note or a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days’ written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described

in (iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

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

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

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

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

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

Registered Notes

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

Registered Global Notes will be deposited with a common depositary and registered in the name of a nominee of that common depositary, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an

Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following the applicable due date. At the same time holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 3 November 2014 and executed by the Issuer.

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

APPLICABLE FINAL TERMS

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

[Date]

YAPI VE KREDİ BANKASI A.Ş.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)
under the U.S.\$[5,000,000,000]
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 November 2014 [and the supplement[s] to it dated [date] [and [date]] [which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (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].¹ 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 and Final Terms have been published on[the website of the Irish Stock Exchange (www.ise.ie) and] the website of the Central Bank of Ireland (www.centralbank.ie).]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 3 November 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 3 November 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**”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus has been published on[the website of the Irish Stock Exchange (www.ise.ie) and] the website of the Central Bank of Ireland (www.centralbank.ie).]

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

- | | | |
|----|--|---|
| 1. | Issuer: | Yapı ve Kredi Bankası A.Ş. |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the next Coupon date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in |

¹ 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.

paragraph 23 below, which is expected to occur on or about [date]][Not Applicable]

3. Specified Currency or Currencies: []
4. USD Payment Election: [Applicable/Not Applicable]
- (Only applicable for Turkish Lira-denominated Notes)*
5. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
6. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
7. (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.)*
8. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
9. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
10. Interest Basis: [] per cent. Fixed Rate]

[] month [LIBOR/EURIBOR/TRYIBOR]] +/- [] per cent. Floating Rate]

[Zero coupon]

(see paragraph [15]/[16]/[17] below)

11. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
12. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [], paragraph [15/16] below applies, and, for the period from (and including) [] up to (and including) the Maturity Date, paragraph [15/16] below applies]/[Not Applicable][]
13. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(see paragraph [19]/[20]/[21] below)]
14. (a) Status of the Notes: Unsubordinated, unsecured
- (b) Date Board approval for issuance of Notes obtained: [] [Not Applicable] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date

[There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the “Stub Period”)]

[There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date(the “Stub Period”)]
- (c) Fixed Coupon Amount(s): [[] per Calculation Amount] [Not Applicable]
(Applicable to Notes in definitive form)

- (d) Broken Amount(s): [In respect of the Stub Period, [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]

(Applicable to Notes in definitive form)

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

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

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

16. Floating Rate Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates:

[]

[There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the “**Stub Period**”)]

[There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date (the “**Stub Period**”)]

- (b) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]

- (c) Additional Business Centre(s):

[]

- (d) Manner in which the Rate of Interest and Interest Amount is to be determined:

[Screen Rate Determination/ISDA Determination]

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

[]

- (f) Screen Rate Determination:

- Reference Rate, Relevant Time and Relevant Financial Centre:

Reference Rate: [] month
[[currency]][LIBOR/EURIBOR/TRYIBOR].

Relevant Time: []

(11.00 a.m. in the case of LIBOR and EURIBOR, and 11.30 a.m. in the case of TRYIBOR)

Relevant Financial Centre: [London] [Brussels]

[Istanbul]

- Interest Determination Date(s):

[]

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

- Relevant Screen Page:

[]

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall-back provisions appropriately)

- Interpolation for Stub Period:

[Applicable for the Stub Period]/[Not Applicable]

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

(g) ISDA Determination:

- Floating Rate Option:
- Designated Maturity:
- Date:

[]

[]

[]

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

- Interpolation for Stub Period:

[Applicable for the Stub Period]/[Not Applicable]

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

	<ul style="list-style-type: none"> Floating Rate Option 2: [] Designated Maturity 2: [] Reset Date 2: [] 	
<ul style="list-style-type: none"> ISDA Definitions: 	[2000 ISDA Definitions/2006 ISDA Definitions]	
(h) Linear Interpolation	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]	
(i) Margin(s):	[+/-][] per cent. per annum	
(j) Minimum Rate of Interest:	[] per cent. per annum	
(k) Maximum Rate of Interest:	[] per cent. per annum	
(l) Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual]	
	Actual/365 (Fixed)	
	Actual/365 (Sterling)	
	Actual/360	
	[30/360][360/360][Bond Basis]	
	[30E/360][Eurobond Basis]	
	30E/360 (ISDA)]	
17. Zero Coupon Note Provisions	[Applicable/Not Applicable]	
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>	
(a) Accrual Yield:	[] per cent. per annum	
(b) Reference Price:	[]	
(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360]	
	[Actual/360]	
	[Actual/365]	

PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition [8.2]:	Minimum period: [] days
	Maximum period: [] days
19. Issuer Call:	[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice periods: Minimum period: [] days
- Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

20. Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice periods: Minimum period: [] days
- Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

21. Final Redemption Amount: [] per Calculation Amount

22. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the

Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

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

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

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

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary 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 exchangeable for Definitive Registered Notes [upon an Exchange Event][at any time at the request of the Issuer]]

[Definitive Regulation S Registered Note]

(N.B. In the case of an issue with more than one Global Note or a combination of one or more

Bearer Global Notes, specify the nominal amounts of each Global Note,

24. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which paragraph 17(b) relates)*
25. Talons for future Coupons to be attached to 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]
26. RMB Currency Events: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph.)
- (a) Party responsible for calculating the Spot Rate [[] (the “**Calculation Agent**”)]
- (b) RMB Settlement Centre(s) [[]/Not Applicable]

THIRD PARTY INFORMATION

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

Signed on behalf of **YAPI VE KREDİ BANKASI A.Ş.**

By: _____
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 to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [].] [*Specify other*] [Not Applicable.]
- (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 - *Amend as appropriate if there are other interests*]

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

4. YIELD *(Fixed Rate Notes only)*

Indication of yield: []

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 [LIBOR/EURIBOR/TRYIBOR] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

- (a) ISIN: []
- (b) Common Code: []
- (c) [CUSIP]: []
- (d) 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)]
- (e) Delivery: Delivery [against/free of] payment
- (f) Names and addresses of additional Paying Agent(s) (if any): []

7. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/give names]
- (c) Date of [Subscription] Agreement: []
- (d) Stabilisation Manager(s) (if any): [Not Applicable/give name]

- (e) If non-syndicated, name of [Not Applicable/*give name*]
relevant Dealer:
- (f) U.S. Selling Restrictions: [Regulation S Compliance Category 2]; [Rules identical to
those provided in TEFRA C/TEFRA D/TEFRA not
applicable]

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 3 November 2014 and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent (the “**Fiscal Agent**” and the “**Exchange Agent**”, which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar, as defined below, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”, which expression shall include any successor registrar).

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

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

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

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

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed in the applicable Final Terms to be consolidated and form a single series and (b) have the same terms and conditions which are the same in all respects save for the amount and/or date of

the first payment of interest thereon, the date from which interest starts to accrue, the Issue Date and the Issue Price.

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time), (the “**Deed of Covenant**”) dated 3 November 2014 and made by the Issuer. The original of the Deed of Covenant is held by the common depository 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 20 September 2013 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the “**Agents**”). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms are available for viewing at the specified office of the Fiscal Agent and will be published on the Irish Stock Exchange’s website (<http://www.ise.ie>) and the Central Bank of Ireland’s website (www.centralbank.ie). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), the applicable Final Terms will only be obtainable by a Noteholder and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

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

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

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

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

1.2 Title

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

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

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

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

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

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement).

Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Costs of registration

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

3. STATUS OF THE NOTES

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

4. NEGATIVE PLEDGE

4.1 Negative Pledge

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

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such Security Interest is terminated; or
- (c) such other Security Interest is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by not less than three-quarters of the votes cast) of the Noteholders.

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

the nominal amount of any outstanding Direct Recourse Securities, does not, at any time, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

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

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

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

5. COVENANTS

5.1 Maintenance of Authorisations

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

5.2 Transactions with Affiliates

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

5.3 Financial Reporting

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

- (a) not later than 120 days after the end of each financial year, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied and BRSA accounting standards ("**BRSAAS**"), including comparative financial information for the preceding financial year, and such financial statements of the Issuer shall be accompanied by the reports of the auditors thereon; and
- (b) not later than 90 days after the end of the first six months of each of the Issuer's financial years, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied and BRASAAS, including comparative financial information for the corresponding period of the previous financial year.

For the purposes of this Condition 5:

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

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

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

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

6. INTEREST

6.1 Interest on Fixed Rate Notes

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

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

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

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

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

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

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

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

6.2 Interest on Floating Rate Notes

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

(a) Interest Payment Dates

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

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

Such interest will be payable in respect of each Interest Period. In these Conditions, “**Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

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

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

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the “**TARGET 2 System**”) is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

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

- (a) **ISDA Rate** for an Interest Period (other than a Stub Period) means a rate equal to the Floating Rate that would be determined by the Fiscal Agent 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 2000 ISDA Definitions or the 2006 ISDA Definitions, as specified in the applicable Final Terms, each as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:
 - (A) the Floating Rate Option is as specified in the applicable Final Terms;
 - (B) the Designated Maturity is a period specified in the applicable Final Terms; and
 - (C) the relevant Reset Date is either (1) if the applicable Floating Rate Option is based on the London interbank offered rate (“**LIBOR**”) or on the Euro-zone interbank offered rate (“**EURIBOR**”), the first day of that Interest Period or (2) in any other case, as specified in the applicable Final Terms, and
- (b) **ISDA Rate** for a Stub Period means a rate calculated by the Fiscal Agent by means of linear interpolation of the relevant ISDA Rate 1 and the relevant ISDA Rate 2 in accordance with market convention.

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

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

Rate 1, to the Floating Rate Option 1, the Designated Maturity 1 and the Reset Date 1, respectively, and (ii) in the case of the ISDA Rate 2, the Floating Rate Option 2, the Designated Maturity 2 and the Reset Date 2, respectively, in each case as specified in the applicable Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

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

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

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. If the Relevant Screen Page is not available or if, in the case of Condition 6.2(b)(ii)(A), no offered quotation appears or, in the case of Condition 6.2(b)(ii)(B), fewer than three offered quotations appear, in each case as at the Specified Time (as defined in the Agency Agreement), the Fiscal Agent 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 Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate

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

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

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

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

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

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

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation

Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

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

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ 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 **D₁** will be 30; and

D₂ 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 **D₂** will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period *provided however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(f) 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.

(g) Certificates to be final

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

6.3 Accrual of interest

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

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

7. PAYMENTS

7.1 Method of payment

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

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

7.2 Presentation of definitive Bearer Notes and Coupons

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

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

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

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

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

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

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Registered Notes

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

in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means a bank which processes payments in such Specified Currency.

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

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

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

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

7.5 General provisions applicable to payments

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

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

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

- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 **Payment Day**

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) Istanbul;
 - (ii) in the case of Notes in definitive form only, the relevant place of presentation;
 - (iii) each Additional Financial Centre specified in the applicable Final Terms;
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.7 **Interpretation of principal and interest**

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

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

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

7.8 **RMB account**

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

regulations with respect to the settlement of RMB in Hong Kong or any relevant RMB Settlement Centre).

7.9 RMB Currency Event

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 7.10 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount

of U.S. Dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. Dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

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

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

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

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

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

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

8.2 Redemption for tax reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9 or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes (which shall, for the avoidance of doubt and for the purposes of this Condition 8.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:
 - (i) pay additional amounts as provided or referred to in Condition 9; and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it as determined in good faith by the Board of Directors of the Issuer,

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

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

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

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

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

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

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

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

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

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

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

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

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11:

- (a) Each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

8.6 Purchases

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

8.7 Cancellation

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

8.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 8 or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note

shall be the amount calculated as provided in Condition 8.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

9. TAXATION

9.1 Payment without Withholding

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

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) where such withholding or deduction would not have been imposed but for the failure of the applicable holder or beneficial owner of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent (a) such compliance is required by applicable law, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (b) such obligor shall have notified such recipient in writing that such recipient will be required to comply with such requirement; or
- (c) presented for payment in the Republic of Turkey; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.6); or
- (e) 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; or
- (f) 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.

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

As used herein:

- (i) **Relevant Date** means with respect to any payment, the date on which such payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent, on or prior to the due date, it means the date on which, the full amount of

such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

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

9.2 Additional Amounts

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

10. PRESCRIPTION

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

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

11. EVENTS OF DEFAULT

11.1 Events of Default

- (A) The holder of any Note may give notice to the Issuer (with a copy to the Fiscal Agent) that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its Early Redemption Amount together with interest accrued to (but excluding) the date of repayment if any of the following events (each an “**Event of Default**”) shall have occurred and be continuing:
 - (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
 - (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
 - (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period *provided that* the aggregate principal amount of any such (A) Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of (i), (ii) and/or (iii) above, and/or (B) Indebtedness for Borrowed Money in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of (iv) above, exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies; or
 - (d) if
 - (i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or

- (ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save as provided below, and save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority to be (or becomes) bankrupt or insolvent; or
- (iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or
- (iv) the Issuer or any of its Material Subsidiaries (I) takes any corporate action or other steps are taken or legal proceedings are started (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction whilst solvent upon terms previously approved by an Extraordinary Resolution of Noteholders), or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (II) it shall or proposes to make a general assignment for the benefit of its creditors, or shall enter into any composition with its creditors,

in each case in (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or another Subsidiary of the Issuer; or

- (e) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings and Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Definitions

For the purposes of these Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

- (a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or
- (b) any borrowed money; or
- (c) any liability under or in respect of any acceptance or acceptance credit.

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

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer, *provided that*:
 - (i) if the then latest audited consolidated accounts of the Issuer show negative assets at the end of the relevant financial period, the financial statements shall be read as if words “net assets” were substituted by the words “total assets”, for the purposes of this definition; and
 - (ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer

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

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of its next audited IFRS financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represented (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, represent) not less than 15 per cent., of the consolidated total assets of the Issuer taken as a whole (calculated as set out in sub-paragraph (a) above), *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent not less than 15 per cent., of the consolidated total assets of the Issuer (calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of its next audited IFRS financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Notes Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, *provided that*:

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be (in the case of Bearer Notes) a Paying Agent (which may be the Fiscal Agent) and (in the case of Registered Notes) a Transfer Agent

(which may be the Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City;
- (d) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged 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 forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

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

14. EXCHANGE OF TALONS

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

15. NOTICES

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

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

For so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those

rules. Any such notice to Euroclear and/or Clearstream, Luxembourg and/or DTC shall be deemed to have been given to the holders of the Notes on the second business day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

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

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

16.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders.

Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise any such modification shall be notified by the Issuer to the Noteholders and Couponholder in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or the Couponholders, to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the Issue Date and the Issue Price, so that the same shall be consolidated and form a single Series with the outstanding Notes *provided that* such further notes may not be fungible with the original notes for U.S. federal income tax purposes, which may adversely affect the value of the original Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

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

19.2 Submission to jurisdiction

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

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the courts of England according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the 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 Procedural Law of Turkey (Law No. 5718).

19.4 Appointment of Process Agent

Service of process may be made upon the Issuer at the offices of UniCredit Bank AG, London Branch located at Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom, in respect of any Proceedings in England and undertakes that in the event of such process agent ceasing so to act it will appoint another person as its agent for that purpose.

19.5 Other documents

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

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of each Tranche of the Notes, including 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 FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected consolidated financial information of the Bank and its subsidiaries derived from the Annual BRSA Financial Statements as of and for the years ended 31 December 2013, 2012 and 2011 and Interim BRSA Financial Statements as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives) incorporated by reference in this Base Prospectus.

Prospective investors should read the following information in conjunction with “*Presentation of Financial and other Information*”, the Annual BRSA Financial Statements as of and for the years ended 31 December 2013, 2012 and 2011 and the Interim BRSA Financial Statements as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives).

Balance Sheet Data

	As of 30 June		As of 31 December			
	2014	2014	2013	2013	2012	2011
	(U.S.\$, thousands) ⁽¹⁾	(TL, thousands)	(U.S.\$, thousands) ⁽²⁾	(TL, thousands)		
Assets						
Cash and balances with Central Bank	9,451,030	20,068,317	8,897,882	18,990,749	11,487,948	10,081,703
Financial assets at fair value through profit or (loss) (net)	339,702	721,323	807,367	1,723,164	1,002,995	556,830
Deposits with banks	1,614,808	3,428,883	1,878,427	4,009,126	5,342,497	3,428,524
Money markets	1,205,726	2,560,239	1,372,088	2,928,447	2,773,236	2,173,561
Financial assets available-for-sale (net)	7,084,406	15,043,027	6,189,084	13,209,362	15,650,448	8,011,276
Loans and receivables	51,702,693	109,785,498	47,146,104	100,623,930	78,788,847	70,070,914
Factoring receivables	917,758	1,948,767	1,003,765	2,142,335	1,640,067	1,790,761
Held-to-maturity investments (net)	2,855,363	6,063,077	3,228,039	6,889,603	5,827,694	12,710,622
Investment in associates (net)	211,417	448,922	211,528	451,464	198,437	188,443
Subsidiaries (net)	1,083	2,300	1,078	2,300	2,300	2,300
Joint ventures (net)	4,040	8,579	4,862	10,376	18,459	19,650
Lease receivables	2,119,280	4,500,079	1,863,549	3,977,372	3,096,493	2,794,483
Derivative financial assets held for hedging	169,294	359,478	219,101	467,627	94,166	377,335
Property and equipment (net)	464,657	986,652	476,288	1,016,541	1,055,463	1,063,384
Intangible assets (net)	656,368	1,393,731	652,949	1,393,590	1,361,391	1,284,165
Investment property (net)	—	—	—	—	—	—
Tax asset	124,635	264,650	44,157	94,245	168,231	364,462
Assets held for resale and related to discontinued operations	74,395	157,970	74,683	159,395	139,653	103,572
Other assets	1,342,693	2,851,074	1,040,256	2,220,218	2,849,436	2,428,146
Total assets	80,339,345	170,592,566	75,111,205	160,309,844	131,497,761	117,450,131
Liabilities						
Deposits	45,242,909	96,068,792	41,457,050	88,481,781	71,143,391	66,186,550
Derivative financial liabilities held for trading	295,478	627,417	404,645	863,633	384,481	540,339
Funds borrowed	9,210,790	19,558,191	9,038,826	19,291,567	14,294,331	14,682,902
Money markets	1,780,564	3,780,850	2,626,288	5,605,286	6,473,675	6,885,893
Marketable securities issued (net)	4,734,284	10,052,778	3,946,419	8,422,843	3,946,505	3,248,717
Miscellaneous payables	3,492,287	7,415,522	3,405,472	7,268,299	5,775,482	4,795,500
Other liabilities	1,586,283	3,368,314	899,813	1,920,471	2,707,052	1,610,109
Other provisions	558,578	1,186,085	618,983	1,321,095	1,428,904	1,222,402
Factoring payables	—	—	—	—	—	—
Lease payables (net)	—	—	—	—	—	—
Derivative financial liabilities held for hedging	234,155	497,205	181,041	386,395	904,687	502,841
Provisions	898,082	1,906,987	824,115	1,758,908	2,765,292	2,322,503
Tax liability	264,296	561,206	104,519	223,075	438,781	293,325
Liabilities for property and equipment held for sale and related to discontinued operations (net)	—	—	—	—	—	—
Subordinated loans	3,022,347	6,417,652	3,036,584	6,480,981	5,195,642	2,523,816
Total Liabilities	71,320,052	151,440,999	66,543,754	142,024,334	115,458,223	104,814,897
Paid in capital	2,047,212	4,347,051	2,036,757	4,347,051	4,347,051	4,347,051
Capital reserves ⁽³⁾	750,210	1,592,995	174,598	372,645	1,667,466	153,525
Profit reserves ⁽³⁾	5,131,240	10,895,676	4,205,759	8,976,351	7,118,712	5,443,918
Income or (loss)	1,089,395	2,313,221	2,149,152	4,586,936	2,841,517	2,623,562

Minority interest	1,236	2,624	1,184	2,527	64,792	67,178
Total Shareholders' equity	9,019,293	19,151,567	8,567,451	18,285,510	16,039,538	12,635,234
Total liabilities and shareholders' equity ...	80,339,345	170,592,566	75,111,205	160,309,844	131,497,761	117,450,131

Notes:

- (1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 2.1234 = U.S.\$1.00, which corresponds with the Bank's Published Exchange Rate on 30 June 2014. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The high, low, average and period end exchange rates for the six months ended 30 June 2014, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "Exchange Rates".
- (2) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 2.1343 = U.S.\$1.00, which corresponds with the Bank's Published Exchange Rate on 31 December 2013. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to BRSA.
- (3) Foreign exchange differences arising from translation of foreign subsidiaries have been reclassified to "Other profit reserves". The effect of these classifications on the financial statements as of 31 December 2011 is summarised below:

	As of 31 December 2011		
	Published	Adjustments	Restated
Marketable securities valuation differences	131.124	(245.990)	(114.866)
Other capital reserves	146.641	(827)	145.814
Other profit reserves	-	246.817	246.817

Income Statement Data

	For the six months ended 30 June			For the year ended 31 December			
	2014	2014	2013	2013	2013	2012	2011
	(U.S. \$, thousands) ⁽¹⁾	(TL, thousands)		(U.S. \$, thousands) ⁽²⁾		(TL, thousands)	
Income statement Data:							
Interest income	2,777,083	6,006,552	4,908,929	1,634,277	9,952,563	10,076,193	7,839,559
Interest expense	(1,465,564)	(3,169,868)	(2,255,389)	(781,249)	(4,886,128)	(5,197,298)	(4,094,381)
Net interest income	1,311,519	2,836,684	2,653,540	853,028	5,066,435	4,878,895	3,745,178
Fees and commissions received	649,802	1,405,456	1,224,132	381,286	2,548,931	2,288,051	2,369,225
Fees and commissions paid	(134,108)	(290,063)	(185,346)	(57,895)	(412,743)	(423,291)	(400,011)
Net fees and commissions income	515,693	1,115,393	1,038,786	323,392	2,136,188	1,864,760	1,969,214
Dividend income	4,323	9,351	15,400	3,677	15,243	1,661	5,891
Trading gain/(loss) (net)	(135,295)	(292,629)	114,593	(55,940)	387,726	30,244	(137,246)
Other operating income	185,577	401,384	202,852	77,251	445,166	354,425	1,050,117
Provision for impairment of loans and other receivables	(419,074)	(906,416)	(717,334)	(239,146)	(1,552,121)	(1,400,142)	(860,585)
Other operating expenses	(908,268)	(1,964,492)	(1,712,176)	(532,062)	(3,543,346)	(3,158,639)	(2,910,825)
Net operating income/loss	554,475	1,199,275	1,595,661	430,200	2,955,291	2,571,204	2,861,744
Income/(loss) from investments accounted based on equity method	7,768	16,801	113	1,497	7,688	17,791	14,420
Tax provisions for continuing operations	(132,541)	(286,672)	(339,622)	(85,983)	(629,802)	(598,179)	(584,784)
Net profit/loss from continuing operations	429,703	929,404	1,256,152	345,714	2,333,177	1,990,816	2,291,380
Net profit/loss from discontinued operations	429,703	929,404	39,555	9,637	1,326,012	106,944	—

Notes:

- (1) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 2.1629 = U.S.\$1.00, which corresponds with average of the Bank's Published Exchange Rate for the six months ended 30 June 2014. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.
- (2) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 1.8931 = U.S.\$1.00, which corresponds with average of the Bank's Published Exchange Rate for the year ended 31 December 2013. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Key Ratios

	As of and for the six months ended 30 June	As of and for the year ended 31 December		
	2014	2013	2012	2011
		(%)		
Return on average shareholders' equity excluding minority interest ⁽¹⁾	10.2	24.0	16.2	21.7
Net interest margin ⁽²⁾	3.5	3.6	4.1	3.5
Capital adequacy ratio	14.8	15.3	15.2	14.9
Cost to income ⁽³⁾	48.1	44.0	44.3	43.8
Free capital ratio ⁽⁴⁾	9.4	9.6	10.1	8.3
Non-performing loans to total cash loans	3.5	3.5	3.2	3.0
Cost to average total assets ⁽⁵⁾	2.4	2.4	2.7	2.7

Notes:

- (1) Annualised return on average shareholders' equity excluding minority interest, calculated based on the average of shareholders' equity (excluding profit and minority interest) at the end of the current period and shareholders' equity (excluding profit and minority interest) at the end of the previous period.
- (2) Net interest income divided by average interest earning assets.
- (3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.
- (4) Total shareholders' equity excluding investment in associates, goodwill, other intangible assets, property and equipment and deferred income tax assets divided by total assets.
- (5) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

CAPITALISATION OF THE BANK

The following table sets forth the consolidated capitalisation of the Group as of 30 June 2014. The information in this table has been extracted from the Group's Interim BRSA Financial Statements as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives) without material adjustment. This table should be read in conjunction with "Use of Proceeds" and the Interim BRSA Financial Statements as of and for the six month period ended 30 June 2014 (with 30 June 2013 comparatives) incorporated by reference in this Base Prospectus.

	As of 30 June 2014	
	<i>(U.S.\$, thousands)⁽¹⁾</i>	<i>(TL, thousands)</i>
Indebtedness		
Subordinated debts borrowings.....	3,022,347	6,417,652
Debt securities in issue.....	4,734,284	10,052,778
Other borrowings.....	10,991,354	23,339,041
Total Indebtedness	18,747,985	39,809,471
Equity		
Paid-in capital and share premium.....	2,303,349	4,890,932
Other reserves.....	5,625,313	11,944,790
Retained earnings	651,767	1,383,961
Equity attributable to equity holders of the Parent	8,580,429	18,219,683
Minority interests	1,236	2,624
Shareholders' equity	8,581,665	18,222,307
Total capitalisation	27,329,650	58,031,778

Note:

- (1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 2.1234 = U.S.\$1.00, which corresponds with the Bank's Published Exchange Rate on 30 June 2014. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

There has been no material change in the Bank's capitalisation since 30 June 2014.

BUSINESS OF THE BANK

Overview

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

According to BRSA statistics, as of 30 June 2014, the Bank was the fourth largest private bank in Turkey by total assets and ranked fifth in total cash loans (loans other than letters of guarantee, letters of credit and acceptances) with a 9.8% market share (compared with a market share of 9.5% as of 31 December 2013 and 9.6% as of 31 March 2014), and sixth in total deposits with a 9.6% market share (compared with a market share of 9.1% as of 31 December 2013 and 9.0% as of 31 March 2014). According to BRSA statistics, as of 30 June 2014, the Bank had a 8.9% market share in loans excluding cards (compared with a market share of 8.4% as of 31 December 2013 and 8.6% as of 31 March 2014). As of 30 June 2014, the Bank had 968 branches covering all regions of Turkey (and one branch in Bahrain) and served 10.2 million customers in Turkey. It maintains market leading positions in key segments and products supported by its strong franchise, large network and leading brand. The Group is organised into three segments; retail banking, corporate and commercial banking, and private banking and wealth management. The Bank's service model is supported by its domestic and international subsidiaries. The Bank's shares are listed on the Borsa Istanbul and its global depositary receipts are listed on the London Stock Exchange.

As of 30 June 2014, the Bank held leading market positions in Turkey in credit cards (20.2% market share in credit card outstanding volume according to the BRSA statistics) and leasing (20.1% market share according to the Turkish Leasing Association). As of 31 March 2014, the Bank was also the leader in factoring (12.4% market share according to the Turkish Factoring Association). As of the same date, the Bank also had strong positions in mutual funds (ranked second with 17.6% market share according to Rasyonet), brokerage services (ranked second with 7.5% market share according to the CMB) and non-cash loans (ranked first with a 13.4% market share according to the BRSA statistics).

The Bank has a strong presence in retail banking. As of 30 June 2014, the Group had approximately 10.1 million retail customers (of which approximately 8.8 million belong to the "mass segment", 348 thousand belong to the "affluent segment" and 971 thousand are SME customers) with TL 47.9 billion (U.S.\$22.6 billion) of assets in its retail banking segment (including individual banking, SME and card payment systems), amounting to 28.1% of the Group's total assets. The Bank's retail products and services include mortgages, working premise loans, home equity lines of credit, home improvement loans, general purpose loans, auto loans (including FordFinans), FordFinans, individual flexible accounts, product bundles, bill payments, regular payments, rent payments, university payments, safety deposit box, deposits working accounts, health insurance, and property and casualty insurance. The Bank provides its SME customers with a range of banking products and services tailored to the SME market, including commercial instalment loans, revolving loans, flexible commercial accounts, commercial purchasing cards, product bundles, point of sale ("POS") and merchant services, agriculture loans, cash management products, commercial credit cards and investment products. Card payment systems include World, World Gold, World Platinum, Opet Worldcard, Play, adios, adios Premium, taksitçi, Crystal, Fenerbahçe Worldcard, Koç Ailem Worldcard, World Business, debit cards, World gift card and World loyalty programmes.

In corporate and commercial banking, the Bank is increasingly focused on higher yielding mid-commercial and project finance loans. The Bank provides a wide range of financial products and services to corporate and commercial customers, which include large Turkish corporates and trade companies. As of 30 June 2014, the Bank had 39 thousand corporate and commercial customers. The Bank's principal products and services include loan guarantees, money transfers, working capital, long term loans, trade finance, payments for enterprises, project finance, direct debit, BANKO™-OHES bulk payment system, payment products, collection products, government payments, import and export financing products.

The Bank also conducts treasury operations, covering Turkish Lira and foreign currency fixed income, money market instruments and currency and interest rate swaps and other derivatives, both for its own account and for the account of its customers.

As of 30 June 2014, the Bank has the fifth largest branch network in Turkey according to the Turkish Banking Association, with 968 branches (and one branch in Bahrain). While the Bank's branch network covers all regions in Turkey, most branches are in the larger cities (including Istanbul, Ankara, İzmir, Antalya, Bursa, Konya and Adana). As of 30 June 2014, 67% of the Bank's branches were located in the ten largest cities in Turkey compared to 65% as of 31 December 2007 and 70% as of 31 December 2011. In the ten largest cities, the Bank's market share as of 30 June 2014 in terms of branches was 9.6%, compared to 8.8% across Turkey while as of 31 December 2013 these figures were 9.5% and 8.6%, respectively (according to Turkish Banks Association statistics).

In addition to its branch network, the Bank offers products and services through a wide array of ADCs including 3,093 ATMs, 87% of which are "advanced" ATMs with cash deposit functionality (the seventh largest ATM network in Turkey with a 7.2% market share), award-winning individual and corporate internet banking with 3.6 million customers, a leading position in mobile banking with a 10.1% market share as well as two award-winning call centres, as of 30 June 2014, according to BRSA statistics. See "*Distribution—Alternative Channels*". As of 30 June 2014 and 31 December 2013 the Group had 18,796 and 16,682 employees, respectively, of which 17,721 and 15,683 were employees of the Bank. Internationally, the Group carries out business through subsidiaries in the Netherlands, Russia and Azerbaijan and a branch in Bahrain.

The Group had total assets of TL 170.6 billion (U.S.\$80.3 billion) as of 30 June 2014 compared with TL 160.3 billion as of 31 December 2013, TL 131.5 billion as of 31 December 2012 and TL 117.5 billion as of 31 December 2011.

According to BRSA consolidated financial statements for the six month period ended 30 June 2014, the Group had operating income of TL 2,122 million (U.S.\$981.3 million) compared to TL 2,313 million for the six month period ended 30 June 2013. For the year ended 31 December 2013, the Group had operating income of TL 4,515 million (U.S.\$2,385 million), compared with operating income of TL 3,989 million (U.S.\$2,282 million) for the year ended 31 December 2012 and TL 3,737 million (U.S.\$2,294 million) for the year ended 31 December 2011. For the six month period ended 30 June 2014, the Group's cost to income ratio was 48.1%. For the year ended 31 December 2013, the Group's cost to income ratio was 44.0%, compared to 40.6% in 2012 and 41.0% in 2011. The Group's net income was TL 929 million and its return on average shareholders' equity (excluding minority interest) was 10.2% for the six month period ended 30 June 2014 compared with TL 1,293 million and 16.7%, respectively, for the six month period ended 30 June 2013. The Group's net income was TL 3,659 million (excluding capital gain of TL 1,284 million (post tax) from the sale of insurance business, the Group had net income of TL 2,375 million) and its return on average shareholders' equity excluding minority interest was 27.7% (16.7% excluding sale of insurance business) for the year ended 31 December 2013 compared with TL 2,098 million and 17.6%, respectively, for the year ended 31 December 2012 and TL 2,291 million and 21.7%, respectively, for the year ended 31 December 2011. As of 30 June 2014, 31 December 2013 and 31 December 2012, the Bank's capital adequacy ratio was 15.4%, 16.0% and 16.3%, respectively, and the Group's capital adequacy ratio was 14.8%, 15.3% and 15.2%, respectively, on a consolidated basis.

Key Competitive Advantages

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

- **Leading market positions in key segments and products.**

The Group is the fourth largest privately owned bank in Turkey by assets, with leading market positions in Turkey in credit cards, asset management, brokerage, leasing and factoring.

- **Robust and customer-oriented balance sheet.**

The Group has total assets that incorporate a high proportion of loans (64% as of 30 June 2014) and a low proportion of securities (13% as of 30 June 2014). As one of the most retail-oriented banks in Turkey, the majority of the Group's loans and deposits are generated by the retail segment, providing significant diversification.

- **Large network and leading brand.**

As of 30 June 2014, the Group had a solid distribution platform, including the fifth largest branch network in Turkey according to the Turkish Banking Association, with 968 branches (and one branch in Bahrain) and innovative ADCs including 3,093 ATMs, 87% of which are “advanced” ATMs with cash deposit functionality (the seventh largest ATM network in Turkey with 7.2% market share according to the Interbank Card Centre (BKM)), award-winning internet banking with 3.6 million customers, a leading position in mobile banking with an 10.1% market share according to the Turkish Banking Association, as well as three award winning call centres. The Group’s share of ADCs in total banking transactions is 82% as of 30 June 2014.

- **Strong commitment to risk management.**

The Group has a conservative risk management strategy with solid credit risk infrastructure, underwriting and monitoring systems. The Group avoids speculative open foreign exchange positions and maintains liquidity ratios well above the regulatory levels. As of 30 June 2014, 31 December 2013 and 31 December 2012, the Bank’s capital adequacy ratio according to the BRSA statistics was 15.4%, 16.0% and 16.3%, respectively, and the Group’s capital adequacy ratio was 14.8%, 15.3% and 15.2%, respectively, on a consolidated basis. As of 30 June 2014, the Group had limited intragroup exposure at 14.5% of its capital, as compared with the 20% regulatory limit. The Group’s loan book is diversified with its top 20 loans amounting to only 13.54% of its loan book as of 30 June 2014.

- **Diversified, high quality revenue mix.**

The Group believes it has a sustainable revenue base with a high share of fees in total revenues amounting to 28% for the six-month period ended 30 June 2014. The Group focuses on profitable and value-generating segments including retail banking, SME and card payment systems, and project finance.

- **Proven track record of cost control and efficiency improvements.**

Driven by strict cost containment and improvements in efficiency with investments for growth, the Group had a cost to income ratio of 48.1% as of 30 June 2014 compared to 44.0% as of 31 December 2013.

- **Strong and committed shareholders.**

Support from Koç Holding and UniCredit provides stability and helps to maximise the Bank’s growth potential. UniCredit, with roots dating back to 1870, is a leading European financial institution based in Italy. The Group benefits from UniCredit’s know-how and expertise in risk management, internal audit, financial planning and control as well as from the UniCredit Group’s experience in implementing efficiency improvements and cost management. Koç Holding, established in 1926, is the largest conglomerate in Turkey with strong positions in the energy, automotive and finance sectors in Turkey as well as in consumer durables both domestically and internationally, enabling potential synergies with the Group.

Strategy

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

Principles

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

Healthy and consistent growth

- Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness, expansion of market presence and funding diversification to sustain long-term performance.

Strong and sustainable profitability

- Address specific customer needs via segment-based service model, optimise cost to serve to improve competitiveness and maintain effective cost, risk and capital management.

Superior and long-lasting customer satisfaction

- Enhance an easy-to-work-with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty.

Key strategic objectives

The Bank aims to achieve a sustainable performance through sustained customer-orientation. The Bank expects to continue its strong performance through the following key long-term strategic pillars:

Growth and Commercial Effectiveness

- Value generating loan growth with a focus on general purpose loans, SME and mortgages in retail lending, together with selective growth in corporate/commercial lending with a focus on higher yielding mid commercial and project finance.
- Continuation of organic growth.
- Fee generation and customer penetration through continued focus on retail business and cross-selling.

Funding and Capital

- Emphasis on further strengthening deposit base and diversifying funding sources.
- Effective loan/deposit ratio management.
- Efficient capital utilisation with a focus on targeted growth in value generating segments and capital strengthening actions.

Efficiency and Cost Optimisation

- Disciplined cost approach and lower cost to serve.
- Optimisation of physical presence.
- Multi-channel approach, with increased development of ATMs as sales channels.

Risk Management

- Dynamic and proactive portfolio management.
- Investments/enhancements to maintain cost of risk through the cycle levels.
- Early collections via capacity increase.

Sustainability

- Customer/employee satisfaction and loyalty.
- Investments in technology and innovation.
- Enhance easy to work with approach.

History

The Bank in its present form results from the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in 2006. Yapı ve Kredi Bankası A.Ş. was established on 7 July 1944 as Turkey's first retail focused privately owned bank with a nationwide presence, and management believes it has played a pioneering role in the banking sector. Since its origins, Yapı Kredi has maintained a strong reputation in the banking sector leveraging on its

customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey.

The following are a number of notable landmarks in the Bank's history:

- 1940s-1950s: The Bank gained a strong position as Turkey's first retail-focused private bank with a nationwide presence.
- 1960s: Introduced computerisation to the Turkish banking sector and played a pioneering role in developing long term project finance lending.
- 1970s: Led the way in the development of financial and international subsidiaries and became the first bank to be authorised to hold a foreign currency position in Turkey.
- 1980s: Introduced individual loans, credit cards, debit cards, ATMs and online banking systems; laid the foundations for today's corporate banking; established the first Turkish offshore bank in the Middle East and became the first Turkish bank to issue bonds and certificates in the international capital markets.
- 1990s: Initiated the first telephone banking service, introduced an advanced credit card infrastructure with loyalty point awards and instalments and was the first bank in Turkey to receive the ISO 9001 quality certification. In addition, the Bank developed its services infrastructure and modernised its corporate structure, human resources, education systems and market strategies to better suit the requirements of an increasingly technology driven environment.
- 2000s: Successfully completed its merger with Koçbank in October 2006, the largest merger in the Turkish banking sector, creating a strong retail franchise.

Following significant volatility in the Turkish currency and foreign exchange markets in 2001 and the collapse of several institutions, in 2002 the BRSA commenced an audit process that assessed the financial condition of all Turkish banks. Following this audit process, in January 2003 the BRSA, the SDIF and the Çukurova Group, which was then the Bank's largest shareholder, entered into an agreement under which the SDIF took certain protective measures and it was agreed that shares of Yapı ve Kredi Bankası A.Ş. previously owned or controlled by the Çukurova Group (57.4% in aggregate) would be sold within two years.

Koçbank was founded in 1981 as the American Express Bank, based in Istanbul. Koç Holding acquired a 51% stake in the American Express Bank in 1986, renaming it Koç American Bank, and in 1992, the bank became a wholly owned subsidiary of Koç Holding and was renamed Koçbank A.S KFS was established in March 2001 as a management company and all financial services companies owned by Koç Holding, including Koçbank, were united under KFS. In October 2002, Koç Holding and UniCredit signed a joint venture agreement and became joint shareholders in KFS (each with a 50% interest), making KFS the first foreign partnership to be established in the financial sector in Turkey.

Under the management of UniCredit and Koç Holding, Koçbank underwent a significant restructuring process and began a period of organic growth. By 2005, Koçbank had over 170 branches and had developed its own expertise in private banking, asset management and corporate and commercial banking, leasing and factoring companies.

In January 2005, pursuant to its agreement with the BRSA and the SDIF, Çukurova Group sold to KFS 57.4% of the Bank's shares. In April 2006 Koçbank acquired a further 9.9% of the Bank's shares, taking Koçbank's interest in the Bank to 67.3%.

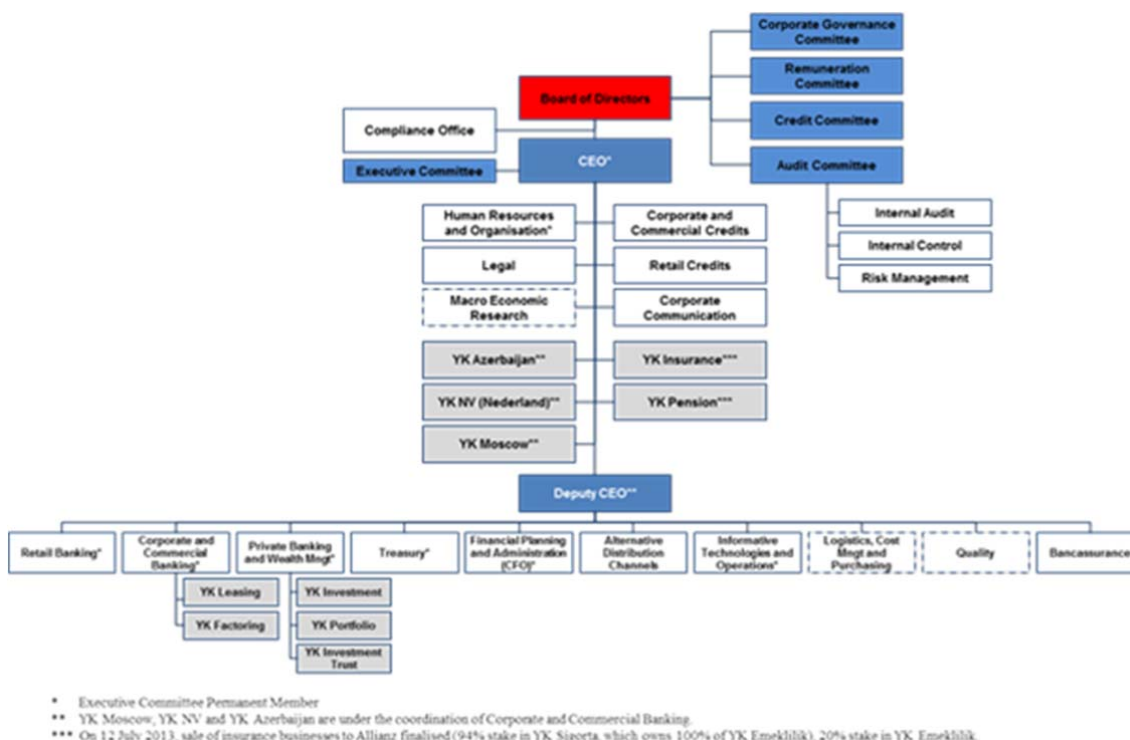
In October 2006, Yapı ve Kredi Bankası A.Ş. was merged with Koçbank, when Koçbank was dissolved and its rights, receivables, obligations and liabilities were transferred to Yapı ve Kredi Bankası A.Ş., with the combined legal entity continuing under the name Yapı ve Kredi Bankası A.Ş. The merger between Koçbank (eighth largest bank) and Yapı Kredi (seventh largest bank) formed the new Yapı Kredi, which became the fourth largest private bank.

Overview of Banking Products and Services

The Bank's operations are carried out through three main segments (1) retail banking, which includes the Bank's individual, SME and card payment systems, and SME business segments, (2) private banking and wealth management, and (3) corporate and commercial banking. The Bank's service model is supported by its domestic and international subsidiaries.

Organisational structure

The following chart represents the Bank's organisational structure as of 30 June 2014, including its subsidiaries structure.



Retail Banking

Overview

The Bank's retail banking division consists of its credit card, individual banking and SME banking businesses. The Bank's credit card business was moved within the retail banking division as part of the 2009 reorganisation.

As of the date of this Base Prospectus, retail banking was one of the key growth areas for the Bank, especially in general purpose loans, SME loans, mortgages, asset gathering (deposits and mutual funds) and pension funds. As of 30 June 2014, the Bank's retail banking division served approximately 10.1 million active retail customers, of which approximately 8.8 million were mass customers, 348 thousand were "affluent customers" and 971 thousand were SME customers. These were serviced by 3,944 retail relationship managers, of whom 1,884 focused on SMEs and 1,983 focused on individuals, through 877 retail branches.

In the Turkish retail banking market, as of 30 June 2014, the Bank was the market leader in terms of credit card volume outstanding, issuing and acquiring turnover, number of credit cards and also commercial cards volume outstanding. As of 30 June 2014, the Bank was the seventh largest bank in terms of consumer loan volume and the sixth largest bank in terms of deposit volume (as it was as of 31 December 2013 and 2012) according to BRSA financials. Income from the Bank's retail banking activities comprises primarily interest income from loans to individuals and SMEs and commission income from loans, credit cards, point of sale business and other banking transactions. As of 30 June 2014, the Bank had loans in its consumer segment

(excluding credit cards) of TL 20,211,605 thousand (U.S.\$9,518,510 thousand), compared to TL 18,505,611 thousand at 31 December 2013 and TL 15,310,746 thousand at 31 December 2012.

The Bank offers its retail customers a broad range of products and services, including general purpose loans, auto loans, credit, debit and prepaid cards, payment and collection services, deposit and overdraft accounts, asset management products, ATMs, telephone banking, internet banking and mobile banking and life and non-life insurance products. The Bank introduced some of these products and services to the Turkish banking industry, including consumer loans, credit cards, overdraft accounts, telephone banking, ATMs and POS terminals, and the Bank's management believes that the Bank has been a pioneer in retail banking in Turkey.

Retail Customer Segmentation

Within the retail banking division, the Bank's customers are divided into three segments to facilitate customer management and to allow a clear and focused approach for responding to different groups' behaviours and needs. These three segments are: the mass segment, the affluent segment (for individuals) and the SME segments (for companies).

Individuals are segmented mainly by the value of their assets with the Bank and/or the amount of their monthly salary, while SME customers are segmented according to their annual turnover. Mass customers are customers with total personal financial assets of up to TL 50,000 and/or a monthly salary below TL 4,000. Affluent customers are individual customers with personal financial assets between TL 50,000 and TL 500,000 and/or a monthly salary between TL 4,000 and TL 20,000. SMEs are customers with annual turnover of less than U.S.\$10,000,000

Cards Payment Business

The Bank was the first bank in Turkey to issue credit cards, starting in 1988. Since then, it has been one of Turkey's leading issuers and acquirers of credit cards and this remains an important focus for the Bank. The Bank has recently transferred its credit card infrastructure to a new platform and made the infrastructure more flexible to meet the demands of the market and the Bank's customers.

The Bank has maintained non-exclusive agreements with Visa International since 1981, Visa Europe since 2009 and MasterCard International since 1988.

Yapı Kredi has been the leader in credit cards for the last 24 years with strong brand recognition and loyal customer base. The Bank's credit card programme, World, is the sixth largest in Europe and 44th largest in the world according to the Nilson Report.

Credit Payment Products

As of 30 June 2014, the Bank had approximately 10.3 million credit cards (including virtual cards) issued representing 17.9% and 20.2% market share in Turkey by number of cards and by outstanding balance, respectively. The Bank's outstanding credit card receivables (including commercial cards) amounted to TL 17.1 billion (U.S.\$ 8.1 billion) as of 30 June 2014.

During 2013, the Bank focused on special campaign offers to commercial credit card customers to enhance cash flow management and synergies with SME banking. In terms of volume, the commercial credit cards market grew from TL 26 billion (U.S.\$ 13.5 billion) as of 30 June 2013 to TL 35 billion (U.S.\$16.5 billion) as of 30 June 2014. Moreover, in terms of outstanding volume, the commercial credit cards market grew from TL 8.3 billion as of 30 June 2013 to TL 10.4 billion as of 30 June 2014 (despite BRSA's recent legislations imposing limits on instalments, which came into effect in February 2014). Meanwhile, the Bank maintained its leadership position in terms of commercial card turnover volume with 22.7% market share and commercial card outstanding volume with 31.2% market share as of 30 June 2014.

Credit card customers are an important source of new business for the Bank, as a credit card is often the first of the Bank's products acquired by a customer. The Bank endeavours to cross sell its credit card customers other products and services utilising advanced marketing techniques, including customer relationship management programmes and database marketing systems with its merchant network to increase sales. As of 30 June 2014, the Bank's credit card division was served by a sales team comprising 326 sales people throughout various regions in Turkey.

The Bank's own credit card brand, Worldcard, was launched in 1991. In 2002, following changes in both card technology and customer preferences, the Bank re-launched the Worldcard brand by allowing the card to be used with merchants in the Bank's merchant network to purchase items on instalment plans and offered a new Worldcard loyalty programme. The Bank offers a wide variety of credit cards each targeted at a specific range of customers. Listed below are some examples of the Bank's cards payment products and a brief description of their features:

- ***Worldcard***

Worldcard is the Bank's mass credit card with instalment, loyalty point and cash advance options.

- ***World Gold Card***

World Gold card is the second tier card in the World portfolio, offering the same benefits as the Worldcard but considered to be more prestigious. World Gold card provides purchase protection insurance and assistance services to cardholders such as medical consulting, homecare services, information line for social activities, restaurants and hotels.

- ***World Platinum Card***

World Platinum card is the most prestigious credit card in the World portfolio. Customers with a minimum monthly income of TL 4,000 can apply for a World Platinum card.

- ***adios Card***

adios card was launched in 2009 and specifically targets customers who travel frequently. adios cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- ***adios Premium Card***

adios Premium card was launched in May 2010 and targets the affluent traveller segment with a minimum monthly income of TL 4,000 adios Premium cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- ***Crystal Card***

Crystal card is the most prestigious credit card in the Bank's credit card portfolio which is offered to a limited number of distinguished clients. Crystal cards offer several privileges to cardholders ranging from private concierge services to travel privileges, as well as other services such as insurance.

- ***Opet Worldcard***

Opet Worldcard is a co-branded credit card that was launched in September 2011 in co-operation with Opet Gas Distribution Company. Opet Worldcard targets customers that have regular fuel consumption. Besides including all the benefits of the Worldcard, customers are rewarded with fuel points that can be only redeemed at Opet Stations.

- ***Play Card***

Play card specifically targets the youth segment and won the Best New Customer Proposition and The Best of The Best awards in the Visa Europe Member Awards 2009 held among all VISA Europe member banks.

- ***Taksitçi Card***

Taksitçi enables cardholders to take benefit from repaying in three instalments on purchases of TL 100 or above with merchants who are not members of the Bank's World network, as well as a further three instalments on purchases of TL 100 or above with merchants who are World members.

- ***World Eko***

The World Eko card has no annual card fee. World Eko card holders are able to benefit from instalment, loyalty points and cash advance options.

- ***World Business Card***

The World Business card meets the purchasing and cash advance needs of companies, combined with the World system advantages. Cardholders can gain Worldpoints and make instalment purchases at member merchants.

- ***World Gift Card***

World Gift Cards are disposable prepaid cards. They are valid for non-instalment purchasing transactions up to the loaded amount

- ***Debit cards (TLcard, Play TLcard, Nuvo TLcard and Business TLcard)***

TLcard is a debit card that can be used for banking transactions, cash withdrawals from ATMs and purchases at Visa or MasterCard merchants all over the world. TLcard collects Worldpoints from banking transactions and purchases at World merchants. Play TLcard is offered to customers aged 12-26 and Business TLcard is offered to all companies.

The Bank offers an instalment payment programme on its credit cards in conjunction with certain members of its merchant network, whereby cardholders are able to make instalment payments for their purchases, and provided the instalment payments are paid over the agreed time period, interest will not accrue on the amount of the purchase. The programme is only available where the Bank's cardholders make a purchase through one of the Bank's participating merchants, except where customers have the Taksitçi card in which case a limited number of purchases may be made on an instalment basis.

The Bank's credit card business operates in accordance with the Bank Cards and Credit Cards Law enacted in 2006 (Law No. 5464), which requires that banks issue credit cards only upon request by a customer, either orally or in writing. Credit limits are set at an amount not exceeding twice the cardholder's average monthly salary for the first year the customer receives his first credit card from a Turkish bank, and an amount not exceeding four times the average monthly salary for the second year, if a sufficient limit is available. The Central Bank determines the maximum contractual and default interest rates of credit cards.

A draft regulation on commissions and fees has been published and the final version is awaited, pursuant to which certain card commissions and fees, including cash advance with an instalment fee, late payment notification fee and a card fee for inactive cards with at least 180 days of inactivity, cannot be charged. If adopted, the regulation may have a significant impact on non-interest revenue.

Co-branding Partnerships

The Bank has credit card co-branding partnership agreements with TEB, Vakifbank, Anadolubank and Albaraka Turk. These partnerships have helped the Bank's credit card brand World become Turkey's largest credit card network and marketing platform, with approximately 13.7 million credit cards.

In September 2012, the Bank introduced its World credit card programme in Azerbaijan. The Best Marketing Campaign award by MasterCard was given to the Bank in recognition of the Bank's success in introducing the programme in Azerbaijan. As of 30 June 2014, the Bank had issued over 100,000 World credit cards in Azerbaijan.

Merchant Network

The Bank has been a leader in total acquiring volume in the market. The Bank's acquiring volume as of 30 June 2014 was TL 44.5 billion as compared to TL 39.6 billion, TL 32.9 billion and TL 28.1 billion as of 30 June 2013, 2012 and 2011, respectively. The Bank's POS terminals gradually increased to a total of 478.3 thousand as of 30 June 2014, from a total of 439 thousand, 439.3 thousand and 418.3 thousand as of 30 June 2013, 2012 and 2011, respectively.

Developing its relationships with merchants is a key priority for the Bank. The Bank's large POS network enhances the Bank's retail transactions volume and provides added value to the Bank's cardholders through the various campaigns, promotions and loyalty programmes offered through the POS network and participating merchants.

In order to encourage customers to use the Bank's cards and to attract member merchants with World platform, the Bank offers sales increasing campaigns such as rewards, gift cheques, discounts and other privileges to its customers. As of 30 June 2014, more than 500 campaigns with over 300 World member brands in 20 sectors were organised. In addition, the Bank continues to invest in new technologies. The POS infrastructure has been renewed in order to be more responsive to the needs of the market in terms of new functionalities and developments provided to the customers. The Bank has launched additional new products, Fixed Price POS Packages, whereby the Bank charges no commission or blockage days, but instead charges a standard monthly fee.

Individual Banking

The Bank's individual banking activities are organised under mass and affluent sub segments to enable the Bank to differentiate its services and to provide the most suitable products to different customer groups. As of 30 June 2014 and 31 December 2013, the Bank provided individual banking services to approximately 8.8 million and 8.3 million active mass customers and approximately 348 thousand and 437 thousand active affluent customers, respectively.

The Bank's product offering to its individual customers includes a full range of payment products, overdraft and deposit accounts, investment products, mortgages, general purpose loans, home improvement loans, education loans and auto loans, as well as health insurance products.

The Bank offers customers in its mass segment a wide variety of products and services through diverse delivery channels including branches and a variety of alternative distribution channels such as internet and mobile banking portals, ATMs and call centres. As of 30 June 2014, the Bank's loans and receivables in its mass segment comprised 37% of its total loans and receivables to its retail customers and the Bank's deposits from customers in its mass segment comprised 30% of its total deposits from its retail customers.

As of 30 June 2014, the Bank's affluent customers were served by 533 relationship managers and a wide distribution network. In addition to the standard individual banking products offered to all individual customers, the Bank's relationship managers for affluent customers have expertise in investment and mortgage products. Affluent customers also benefit from the Bank's asset management and brokerage services. As of 30 June 2014, the Bank's loans and receivables in its affluent segment comprised 14% of its total loans and receivables to its retail customers and the Bank's deposits from customers in its affluent segment comprised 41% of its total deposits from its retail customers.

The Bank's customer relationship management ("CRM") systems and analytical "data mining" models played a key role in increasing customer loyalty and increasing product sales to its individual customers. The Bank produces targeted offers for its retail banking customers through its campaign management system.

Direct Banking

Nuvo, the direct banking service model, reaches its customers through mobile and internet channels offering simple and flexible banking services.

The Bank has four strategic objectives for direct banking deployment: acquire new customers entering the banking market and draw customers from competitors; divert unprofitable segments; increase customer retention; and create a new brand that is young, tech-savvy and cutting-edge.

Nuvo is a separate brand of the Bank, which has a strong marketing budget and innovative marketing features, and is run by a dedicated department with its own functional allocation and CRM integration. It defines its target market as young university students and tech-savvy individuals with simple banking needs or people reluctant to enter branches if online service is sufficiently convenient. Nuvo attracts its customers by offering various advantages, such as higher interest rates on time deposits for young people, branchless and no fee loan products, as well as special discounts and point reward systems at merchants and e-commerce firms, for all Nuvo customers. The first Nuvo customers can benefit from major cost advantages resulting from lower

branch-based costs and re-investing in direct low-cost channels. Nuvo customers are targeted by product based campaigns and through in-app stores of popular e-commerce platforms.

Mortgages

Mortgage loans are an important part of the retail banking business in the Turkish banking sector. As of 30 June 2014 and 31 December 2013, 2012 and 2011 mortgage loans amounted to 10.3%, 10.6%, 11.0% and 11.2%, respectively, of aggregate loans in the Turkish banking sector, according to BRSA weekly data.

The Group's mortgage loan portfolio increased by 5.1% to TL 9,468,818 thousand as of 30 June 2014 from TL 9,008,933 thousand as of 31 December 2013, which represented a 25% increase from TL 7,230,832 thousand as of 31 December 2012, which in turn represented a 10% increase from TL 6,599,802 thousand as of 31 December 2011.

As of 30 June 2014, the Bank's mortgage loans represented 8.6% of the Group's total gross loans, compared to 8.7%, 9.0% and 9.2% as of 31 December 2013, 2012 and 2011, respectively.

The Bank's mortgage loan strategy is based on providing service to customers through the Bank's mortgage experts, developing dedicated branch and non-branch delivery channels and offering innovative mortgage products. The Bank's mortgage experts provide customers with mortgage products and provide consultancy for all aspects of mortgages including financial, legal, technical and tax related issues at branches. As of 30 June 2014, the Bank had trained over 1,052 mortgage experts.

The Bank has established a dedicated team within the mortgage department to work with real estate developers and improve the flow of new individual mortgage applications to the Bank. This programme has helped the Bank to strengthen its mortgage services through its relationships with real estate developers for more than 470 projects and 3,747 realtors.

Payroll Services

The Bank had 14,766 payroll companies and 10,067,156 payroll customers as of 30 June 2014 as compared to 14,163 payroll companies and 946,464 payroll customers as of 31 December 2013. The Bank has established limited service branches in the locations where its payroll services customers work in order to provide convenient service. The Bank's management believes that the Bank enjoys a strategic strength in this area, which it intends to continue to develop and grow through cross selling of its products and services. In order to further increase its market share in this area, the Bank launched the Salary Customer Strategy Project in 2013, led by consultant firm BCG, which aims to develop a comprehensive payroll structure and growth strategy for the Bank. The Bank started to implement this new project in early 2014.

Auto loans

The Group's auto loans (including both commercial instalment car loans and consumer car loans) comprised 2.6%, 3.1%, 3.8% and 4.6% of the Group's total gross loans as of 30 June 2014, 31 December 2013, 2012 and 2011, respectively.

The Bank has had an exclusive agreement with Ford Otosan since December 2007, which allows the Bank the exclusive right to provide FordFinans branded auto loans for Ford automobiles in Turkey and allows customers to apply for an auto loan directly from a dealership through an online application system. The agreement excludes heavy commercial vehicles, fleet sales and sales for car rental companies.

Bancassurance

The Bank coordinates all of its insurance activities via the Bancassurance unit that was formed in 2009.

On 12 July 2013, the Bank completed the sale of its non-life insurance subsidiary, Yapi Kredi Insurance, and its life insurance/pension subsidiary, Yapi Kredi Pension, to Allianz. As a component of the transaction, the Bank entered into the 15 year bancassurance agreement with Allianz for the distribution of insurance and pension products in Turkey through its branch network and other alternative delivery channels. The partnership combines the Bank's customer focused leading retail franchise with Allianz's global experience in developing and managing insurance products.

Small and Medium-sized Enterprises

SMEs (corporate customers with an annual turnover of less than U.S.\$10,000,000) are an important segment for the Bank. As of 30 June 2014 and 31 December 2013, the Bank had over 970 thousand and 911 thousand active SME clients, respectively.

In 2012, Yapı Kredi created a new service model to support the Bank's growing SME customer base. Customers were segmented based on their size and diverse financial needs and tailored product offerings were provided to customers through a wider range of delivery channels, in line with the Bank's multi-channel approach.

This new approach created two new relationship manager roles. In 2013, remote relationship managers located in different regions of Turkey began to serve a large number of customers with basic needs through the phone. This further increased efficiency as branch based relationship managers' focus on addressing more complex customer needs. In 2012, customer acquisition activities were strengthened through the formation of dedicated relationship managers for customer acquisition teams, called "hunters", whose sole purpose is to acquire new customers and create sales leads. These teams acted as key customer acquisition engines for the Bank, focusing on unique product bundles designed for SME customers. Accordingly, 23 thousand new customers were acquired and 33 thousand product bundles were sold in the first six months of 2014.

As of 30 June 2014, the Bank's SME customers were served through a network of 1,884 dedicated relationship managers in the Bank's branches, 77 remote relationship managers and 97 hunters in the Bank's SME banking centres, and are encouraged to utilise the Bank's alternative distribution channels such as internet banking, ATMs and operating out of call centres. In addition, the Bank provides consultancy services to support SMEs in obtaining grants. The Bank also provides SME customers a similar range of products to those provided to corporate customers, as well as commercial purchasing cards specifically designed for SMEs.

The Bank is currently involved in the following six Micro SME ("MSME")/SME loan programmes in conjunction with European financial development organisations to provide funding for SME clients:

- The EBRD MSME Loan Programme, making available a total of EUR30 million. The Bank, together with the EBRD, will offer short-term working capital loans as well as long-term investment loans of up to EUR200,000 with concessionary interest rates, specifically aimed at financing SMEs in the agricultural sector;
- The International Finance Corporation ("IFC") Loan Programme (financed by the IFC), for a total amount of U.S.\$30 million, intended to finance agribusiness and the food and beverage sector;
- The CEB Loan Programme with a total amount of EUR 15 million for the partial financing of viable investments undertaken by MSMEs in Turkey, utilised by the Bank via the intermediation of UniCredit Bank Austria AG;
- TURAFF Loan Programme with a total amount of EUR 30 million, financed by the EBRD, specifically for SMEs in the agricultural sector;
- The Council of Europe Development Bank Loan Programme with a total amount of EUR 100 million, financed by the CEB, specifically for SMEs to promote job creation and preservation; and
- The Turkey Private Sector Sustainable Energy Financing Facility Programme with a total amount of U.S.\$80 million, financed by EBRD, specifically for financing of energy efficiency and renewable energy investments.

Since 2008, private banks in Turkey have been authorised to provide KOSGEB (Small and Medium Size Industry Development Organisation) interest-subsidised loans to SMEs, craftsmen and artisans. The Bank also collaborates with the Credit Guarantee Fund, which provides loan guarantees to support SMEs.

The Bank has named agricultural banking as a strategic sector and has developed various strategies and action plans during the last three years. For example, a new agricultural marketing and sales team has been established under the SME and agricultural banking group and a new agricultural loan evaluation system was

announced in January 2012. In addition, agricultural experts have been located throughout the Bank's regions, and the agricultural loan product range has been expanded by establishing specific loan types. Verimli Card, which is a special credit card for farmers, was relaunched in May 2014. Yapi Kredi agricultural banking business aims to increase its market share and the number of clients, and operates through 223 "agri branches" (standard branches whose main economic activity is agriculture) nationwide.

Private Banking and Wealth Management

The private banking division serves the Bank's high net worth and ultra-high net worth customers. The Bank's wealth management services are carried out by its subsidiaries Yapi Kredi Invest and Yapi Kredi Asset Management, providing asset management and brokerage services to the Bank's clients.

Private Banking

The Bank has a leading position in the private banking market in Turkey both in terms of total asset size, which amounted to TL 34.0 billion as of 30 June 2014 (including equity balance), and distribution network, private banking centres, branches and corners (being private banking service points in branches that otherwise serve non private banking customers, such as retail or commercial branches), as well as remote services. Customers with personal financial assets in excess of TL 500,000 are serviced by the Bank's private banking division. The Bank considers a private banking customer to be active if they meet the active customer criteria (*i.e.*, having actual funds on the account and carrying out any transaction) at least once and are assigned to a portfolio within the last 1.5 years. As of 30 June 2014 and 31 December 2013, the Bank had 19,766 and 19,314 active private banking customers, respectively.

As of 30 June 2014, private banking customers were served by 158 private banking relationship managers through 22 private banking centres/branches and one corner. ADCs for the private banking segment also include a dedicated call centre team and a separate private banking web page on the Bank website.

The Bank had private banking assets (calculated as the total volume of deposits) amounting to TL 22.1 billion as of 30 June 2014, TL 18.8 billion as of 31 December 2013, TL 17.1 billion as of 31 December 2012 and TL 15.7 billion as of 31 December 2011 (excluding equity balance). In assets under management in the mutual fund business, the Bank ranked second with 17.6% and 18.2% of the Turkish market, as of 30 June 2014 and 31 December 2013, respectively, according to Rasyonet statistics.

As of as of 30 June 2014, the private banking division provided a wide range of products and services, including 42 different types of mutual funds including hedge fund, fund of world funds, fund of commodities fund, four different types of capital guaranteed funds (that are currently within their investment period), pioneer funds, managed fund account, fund deposit, bills and bonds, Eurobonds, exchange traded funds, equity, warrants, Borsa Istanbul options and futures and also structured products. The Bank uses CRM modelling tools in order to define eligible customers for different types of products such as securities, derivative products (forwards, futures and options), foreign exchange, gold and equity trading, insurance products, safe deposit boxes and e-banking services. The Bank also has affiliates and subsidiaries, which provide investment, advisory and portfolio management services, supported by the Bank's relationship with UniCredit and its subsidiaries. The Bank also offers various advisory services through different and specialised business partners such as Tax Advisory, Art Advisory, Inheritance Advisory, Real Estate Advisory and Philanthropy Advisory. Philanthropy Advisory was launched in June 2012, and the service is provided through the Bank's business partner TUSEV. It is not only the Bank's newest service, but also the first Philanthropy Advisory in Turkey. Private banking customers are also entitled to a number of services such as 24-hour emergency ambulance service and have access to seminars on pertinent issues relevant to their financial interests, including investments, financial markets and taxation and are kept informed on the economy and capital markets through daily emails.

Yapi Kredi Invest (Yapi Kredi Yatirim)

Yapi Kredi Invest was founded in 1989. With central sales in Istanbul, investment centres in Adana, Ankara, Antalya, Aydin, Balikesir, Bursa, Denizli, Izmir, Kayseri, Marmaris, Samsun, Trabzon and an internet branch, Yapi Kredi Invest provides capital market products, brokerage, corporate finance, derivatives, leveraged foreign currency trading operations and investment advisory services to approximately 47,000 active

customers as of 30 June 2014. Yapi Kredi Invest has received authorisation from the CMB to undertake leveraged foreign currency trading operations.

In 2013, Yapi Kredi Invest was third among brokerage houses on the Borsa Istanbul in terms of total equity market transaction volume, with 7.5% market share, according to the Borsa Istanbul Monthly Bulletin. Yapi Kredi Invest ranked second among brokerage houses, with TL 61 billion trading volume, and 7.5% market share of the equity market as of 30 June 2014, according to Borsa Istanbul Data Publications. As of 30 June 2014, Yapi Kredi Invest generated 5.5% market share in the derivatives market among brokerage houses compared to a 5.0% market share as of 31 December 2013, according to Borsa Istanbul Data Publications.

Yapi Kredi Asset Management (Yapi Kredi Portföy)

Established in 2002, Yapi Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products together with portfolio advisory and private fund establishment services. Yapi Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 61 employees as of 30 June 2014.

As of 30 June 2014, Yapi Kredi Asset Management offered 41 mutual funds and had total assets of approximately TL 5.7 billion. Its total market share for mutual funds was 17.6% as of 30 June 2014.

As of 30 June 2014, Yapi Kredi Asset Management also provided management services to 19 private pension funds. It had 15.2% market share in the private pension fund market in Turkey, with assets under management of approximately TL 4.8 billion as of 30 June 2014.

Yapi Kredi Asset Management provided discretionary portfolio management services to 400 customers as of 30 June 2014, of which 12 were institutional and 388 were high income individual investors. Yapi Kredi Asset Management's assets under management in its discretionary portfolio management services were approximately TL 0.9 billion as of 30 June 2014.

Managed assets, including mutual funds, private pension funds, hedge fund and discretionary portfolios, amounted to TL 11.1 billion as of 30 June 2014.

Yapi Kredi B-Type Investment Trust

Yapi Kredi B-Type Investment Trust was established in 1995 to provide portfolio management services through trading capital market instruments listed on domestic and international markets.

On 7 June 2013, the Group terminated the ongoing discussions regarding the sale of its stake in Yapi Kredi B-Type Investment Trust to third parties, and instead decided to liquidate Yapi Kredi B-Type Investment Trust. As part of the preparation for the liquidation process, the Bank launched a voluntary tender offer to purchase the shares of Yapi Kredi B-Type Investment Trust from all shareholders. As a result of the tender offer, the Bank increased its stake in Yapi Kredi B-Type Investment Trust from 11.09% to 95.36%, including the transfer of the 44.97% stake owned by Yapi Kredi Invest.

In November 2013, the CMB approved the commencement of the liquidation process, pursuant to which shareholders who cast a negative vote for liquidation in the General Assembly were entitled to the right to sell their shares to the Bank.

The liquidation was approved by the extraordinary General Assembly meeting of Yapi Kredi B-Type Investment Trust on 27 December 2013. As a result of the liquidation decision, the shares of Yapi Kredi B-Type Investment Trust were delisted from the relevant market of Borsa İstanbul as of 30 December 2013. Following a further extraordinary General Assembly meeting of Yapi Kredi B-Type Investment Trust held in July 2014, and the subsequent distribution of liquidation dividends, the liquidation of Yapi Kredi B-Type Investment Trust was completed on 31 July 2014.

Corporate and Commercial Banking

As of 30 June 2014, the Bank had approximately 1,168 active corporate clients and 22,917 active commercial clients. In general, the Bank considers a customer to be active if they meet the active customer criteria at least once and are assigned to a portfolio within the last 1.5 years. As of 30 June 2014, the Bank served its corporate clients via three branches and 28 relationship managers and it served its commercial clients via

59 branches and 300 relationship managers. Corporate and commercial customers are segmented mainly by the value of their annual turnover. Commercial customers are companies with an annual turnover of between U.S.\$10 million to U.S.\$100 million, while corporate customers are companies with an annual turnover of more than U.S.\$100 million. Companies with turnover of less than U.S.\$10 million are considered to be part of the Bank's SME segment and are managed within the retail banking division.

Following the introduction of the Bank's new organisational structure in February 2009, corporate and commercial banking, which were previously separate, were brought together. The Bank's leasing and factoring departments and international banking operations were also brought together. Recently, the Bank introduced new segmentation criteria for its corporate and commercial clients to better address their needs and provide tailored, client-specific services more efficiently. These criteria are based on the company's size and behaviour benchmarks such as the company's turnover (for potential client value), its international dimension (in order to assess the complexity of the relationship with the client), outstanding systems (to assess the size and complexity of the client's financial needs) and trade finance (as an indicator of the complexity and size of the client's business needs).

As of 30 June 2014, the Group's lending to the corporate and commercial sector comprised of 47.5% of its total loan portfolio, while deposits from corporate and commercial customers comprised of 38.68% of the Group's total deposits.

The Bank provides additional services to its corporate customers including working capital financing, foreign trade finance, project finance, a variety of domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking and brokerage, factoring, leasing and insurance services. In addition, in non-cash loans, the Bank provides both domestic and foreign currency facilities to its customers, principally comprising guarantees in relation to imports and letters of credit in respect of trade financing activities.

The primary business lines in the commercial banking segment are working capital, financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities, cash management and e-banking services to mid-size and large corporates.

Operating profit for the corporate and commercial banking segment amounted to TL 706,398 thousand (U.S.\$326,598 thousand) for the six months ended 30 June 2014, as compared with TL 584,225 thousand (U.S.\$326,693 thousand) for the six months ended 30 June 2013. Operating profit increased by 8% to TL 1,234,397 thousand for the year ended 31 December 2013 from TL 1,140,723 thousand for the year ended 31 December 2012, which in turn represented a 35% increase from TL 845,864 thousand for the year ended 31 December 2011. These increases were the result of:

- a focus on high margin foreign currency project finance loans driven by selective loan growth and a disciplined pricing approach in corporate banking; and
- a focused approach on mid-commercial sub-segment driven by upward loan repricing initiatives in commercial banking.

Project Finance

The Bank has been active in the provision of project finance loans and syndicated loans in Turkey since 1999. As of 30 June 2014, its project finance team comprised 18 staff members specialising in energy, real estate and transportation projects, as well as acquisition finance.

For the year ended 31 December 2013, the Bank underwrote approximately TL 5,511 million (U.S.\$2,715 million) of project finance loans, compared to approximately TL 616 million (U.S.\$345 million) for the year ended 31 December 2012 and TL 2,447 million (U.S.\$1,289 million) for the year ended 31 December 2011. As of 30 June 2014, the Bank had underwritten TL 2,045 million (U.S.\$1,504 million) of project finance loans. The maturity of project finance loans typically ranges from five to 12 years, with a maximum grace period of four years. The Bank focuses on the energy sector, particularly financing energy production, electricity transmission and distribution projects as well as thermal and renewable energy power plants and large dam and hydroelectric power plant projects.

Global Transaction Banking

The product range of the global transaction banking department covers all traditional products in addition to structured products, which are customised for client needs. One of the Bank's competitive advantages is to provide multinational solutions to its local clients in relation to the UniCredit Group's product scheme.

The cash management and trade finance teams have product development and sales departments which serve the Turkish Lira and foreign currency cash flow needs of the Bank's clients. As of 30 July 2014, the sales team's 25 staff were organised and located in the commercial regions of five cities and three corporate and multinational branches in order to provide support and keep close contact with both the clients and the branches. The sales team focuses its coverage on the clients, the network and the complete product range.

As of 30 June 2014, the department had maintained its industry leading position with a market share of approximately 11% in cheque clearing (according to the Central Bank statistics), 13.1% in import flows and 14% in export flows (according to the Turkish Statistical Institute). In the six months ended 30 July 2014, the number of clients utilising the Bank's cash management and trade finance products increased by 4.6% to approximately 189,000 companies when compared with the same period in 2013.

Cash Management

The Bank has further strengthened its market leading e-banking position, with particular high turnover performance in direct debit and the BANKOTM-OHES bulk payment system, while maintaining its leading position in traditional collection systems such as domestic cheque clearing in the Central Bank. The Bank's cash management team offers a broad variety of products, including all countywide collection and payment services, cash transfer services, electronic banking and operational services. In addition, the Bank offers a variety of data integration and reconciliation solutions related to its products. In the six months ended 30 July 2014, the Bank's bulk payment transactions increased by 35% to 3.5 million when compared with the same period in 2013.

Trade Finance

The Bank provides a variety of support services and payment management mechanisms to Turkish companies engaging in international trade transactions. These include advance payments, letters of credit (sight, deferred and acceptance), cash against documents, cash against goods, standby letters of credit, export financing (pre- and post-shipment), import financing (post financing, promissory note discount), forfaiting and export credit insurance, back-to-back letters of credit and transferable letters of credit. In addition to traditional import and export products, the Bank offers its customers innovative and alternative foreign trade products and structured solutions.

The Bank has created a special team that is responsible for expanding its structured trade finance business through export credit agencies and Eximbanks of other countries, as well as originating short-term and long-term financing through correspondent banks for the investment needs of the clients.

International Banking

The Bank was one of the first Turkish banks to establish correspondent banking relationships and to undertake foreign business. The relationship management function for foreign financial institutions for the Bank is conducted by the Financial Institutions team. The Financial Institutions team also carries out functions including the following:

- provides presentations and insight on developments on the Bank and the Turkish economic and political environment to correspondent banks;
- discusses new products with correspondent banks and implements them within the Bank, in collaboration with the Trade Finance department, in order to gain access to new markets and improve service quality;
- engages in the international marketing of the Bank and its products;
- analyses the financial situation of banks and applies for credit lines on their behalf; and

- arranges long-term structured borrowings in accordance with the Bank's projected borrowing needs.

Treasury

The Bank's treasury department consists of five major groups: Fixed Income Securities, Money Markets and Balance Sheet Management, Foreign Exchange and Derivatives, ALM Planning and Financial Monitoring, and Treasury Marketing. It manages the Bank's on-going liquidity needs, interest rate risks, foreign exchange rates and controls its proprietary investment portfolio.

Fixed Income Securities

The Fixed Income group is primarily in charge of managing the Bank's local and foreign currency fixed income portfolios. As of 30 July 2014, the Bank was one of the 13 primary dealers accepted by the Undersecretariat of Treasury in Turkey. The Fixed Income group also manages local and foreign currency deposits. As of 30 June 2014, the Group's securities portfolio amounted to 12.80% of its total assets.

As of 30 June 2014, the Bank had a 16.90% market share in securities trading on the Borsa Istanbul compared with 16.9% as of 31 December 2013 and 16.6% as of 31 December 2012, according to the Borsa Istanbul.

Money Market & Balance Sheet Management and Foreign Exchange & Derivatives

This group is primarily involved in asset and liability management activities, interbank money market transactions and foreign exchange trading, including derivatives. As of 30 June 2014, the Bank's annual trading volume was U.S.\$361.5 billion and was U.S.\$807.7 billion for the year ended 31 December 2013, compared to U.S.\$941.3 billion for the year ended 31 December 2012 and U.S.\$416.3 billion for the year ended 31 December 2011. The Bank's interbank foreign exchange trade volume was approximately U.S.\$90.1 billion in the first six months of 2014, U.S.\$350.9 billion in 2013 and U.S.\$518 billion in 2012. Foreign exchange volume for client transactions denominated against the Turkish Lira was U.S.\$26 billion in the first six months of 2014, U.S.\$53.9 billion in 2013 and U.S.\$53 billion in 2012. As of 30 June 2014, the Bank also held 15.2%, 10.0% and 11.9% (customer transactions) market shares in the domestic spot trading, forward and swap markets, respectively.

This group is also responsible for stabilising the interest income on the balance sheet and creating necessary funding for targeted asset growth purposes.

ALM Planning and Financial Monitoring

The ALM Planning and Financial Monitoring group is primarily responsible for monitoring the treasury department's performance and activities. This group also assists other groups within the treasury department with introducing new products.

Treasury Marketing

The Treasury Marketing group is the contact point for large scale corporate, commercial and private customers. The group advises and assists customers with managing risk exposures and hedging opportunities. The group completed transactions worth approximately U.S.\$64.5 billion for customers in the six months ended 30 June 2014, U.S.\$139 billion in the year ended 31 December 2013, U.S.\$142 billion in the year ended 31 December 2012 and U.S.\$102.5 billion for the year ended 31 December 2011.

Distribution Network

The Bank offers its banking products and services through an extensive distribution network, which includes branches as well as advanced ADCs such as ATMs, call centres, internet banking and mobile banking.

Branches

As of 30 June 2014, the Bank had 968 branches covering all regions of Turkey (and one branch in Bahrain) and served 10.2 million customers in Turkey. While the Bank's branch network covers all regions in Turkey, most of the branches are in the largest cities, with 69% of the Bank's branches being located in the ten largest cities (including Istanbul, Ankara, Izmir, Antalya, Bursa, Konya and Adana) as of 30 June 2014. According to BRSA statistics, the Bank's market share in the ten largest cities in Turkey as of 30 June 2014 and

31 December 2013 in terms of branches was 9.6% and 9.5%, respectively, compared to 8.8% and 8.7% across Turkey as of 30 June 2013 and 31 December 2013, respectively. The Bank has a number of different types of branches, including standard, satellite and mobile, which provide customers with a wide range of services. As of 30 June 2014, 877 of the Bank's branches were retail-related, demonstrating the retail market orientation of the Bank. As of 30 June 2014, the Bank's corporate-commercial branch network consisted of 63 branches and the Bank's private banking network comprised 22 private banking centres.

Alternative Channels

The Bank uses three main ADCs: ATMs, internet and mobile banking and a 24 hour call centre, all of which rely upon the Bank's information technology platform. These channels allow customers to access services 24 hours a day and seven days a week. The cost of processing transactions through ADCs is lower than processing them through branches. Therefore the Bank encourages its customers to utilise ADCs by offering promotions and reduced fees in return for customers using these channels instead of the branches. As of 30 June 2013, the Bank handled 82% of all its transactions through ADCs and the remaining 17% through branches. Of the 82% handled through ADCs, 46% were via ATMs, 26% via internet and mobile banking, 1% via its two call centres and the remaining 11% via other channels including post office and centralised automated transaction channels.

ATMs

As of 30 June 2014, the Bank had the seventh largest ATM network in Turkey, with 3,093 ATM machines. Approximately 4.3 million retail customers and 0.3 million commercial and corporate customers actively use the Bank's ATMs. The Bank intends to continue to expand and improve the technology of its ATM network by deploying cash deposit feature ATMs (Tele24 Plus).

Approximately 87% of the Bank's ATMs have cash deposit features and coin dispensers. As of 30 June 2014, 23% of the Bank's ATMs are enabled for disabled customers, a first in the Turkish banking sector. The ATM network carried out 57,278 product sales (excluding sales of overdrafts) in the first six months of 2014 and 254,220 product sales in 2013.

The Bank continues to focus on product innovation as the retail banking market matures in order to meet changing client needs and to better satisfy existing ones.

In 2008, the Bank launched the Enabled Banking Programme, as Turkey's first service that offers disabled customers easy access to banking services. The Bank redesigned call centres to assist visually-impaired customers by introducing text-to-speech technology. In 2009, the Bank installed in selected locations enabled ATMs which have been modified for orthopaedic impaired customers facilitating wheelchair access. In 2010, the first "talking ATMs" were launched, adding new features to enable blind and visually impaired customers to perform banking operations. In 2011 the Bank was awarded the Golden Compass award given by the Public Relations Society for the Enabled Banking Programme and in 2012 the Bank was also rewarded by the Project "Education Overcomes Every Obstacles" for its work carried out under the same Programme. The Bank continued supporting the Enabled Banking Programme by increasing its enabled ATMs. As of 30 June 2014, 23% of the Bank's ATMs are enabled and the Bank aims to increase this to 40% by the end of 2014.

In 2010, the Bank presented its "ATM with Keyboard" technology, which enables customers to add text and explanations when carrying out deposit and transfer transactions. These explanations are displayed on both the sender's and the receiver's account activities and statements. Payments of motor vehicle taxes can also be paid using the keyboard by typing the letters of the licence plate.

In 2011, the Bank increased its focus on sale offers to be delivered via ATMs. For example, ATM users may be presented on-screen with the option to increase their credit card limit, apply for a credit card, open overdraft accounts and other banking packages, make insurance payments, apply for loans, and participate in other high-value sale offers.

Internet and Mobile Banking

As of 30 June 2014, the Bank had a leading mobile banking application with a 10.12% market share according to the Turkish Banking Association. As of 30 June 2014, the Bank had 3.3 million retail customers and 359 thousand corporate and commercial users. On the mobile banking side, the Bank had 775 thousand retail

customers and 4 thousand other segment customers. The figures for online and mobile banking include active and inactive customers. The share of transactions executed through internet banking as a percentage of all transactions increased to 26% in the first six months of 2014, from 23% in the first six months of 2013. The Bank has experienced increasing numbers of transactions and transaction volumes in recent years, mainly due to higher internet penetration rates globally and in Turkey, and significant marketing of the Bank's internet banking services. Approximately 6.5 million transactions per month are carried out via the Bank's internet banking services, as well as approximately 846 thousand product sales per year.

The Bank first launched internet banking with Teleweb in 2000. Internet banking services are currently provided through internet banking and mobile banking applications. Mobile banking applications can be installed on mobile devices (iPhone, iPad, Android, Android Tablet, Blackberry, Windows Phone 8 etc.) by visiting yukle.ykb.com or can be used as html without installation necessary by visiting m.ykb.com. The Bank was also the first in the Turkish banking sector to provide an easy peer-to-peer money transfer application called "Bump to Send".

To ensure secure internet connections, the Bank offers One Time Password ("OTP") products through OTP Tokens, OTP Mobile (a JAVA application operating on mobile phones), OTP SMS (one time passwords sent via SMS), Mobile Signature, Smart Banking and Smart Pin (OTP produced through a credit card). The Bank's internet banking system provides 24-hour customer service through live chat, call centres and email enquiries.

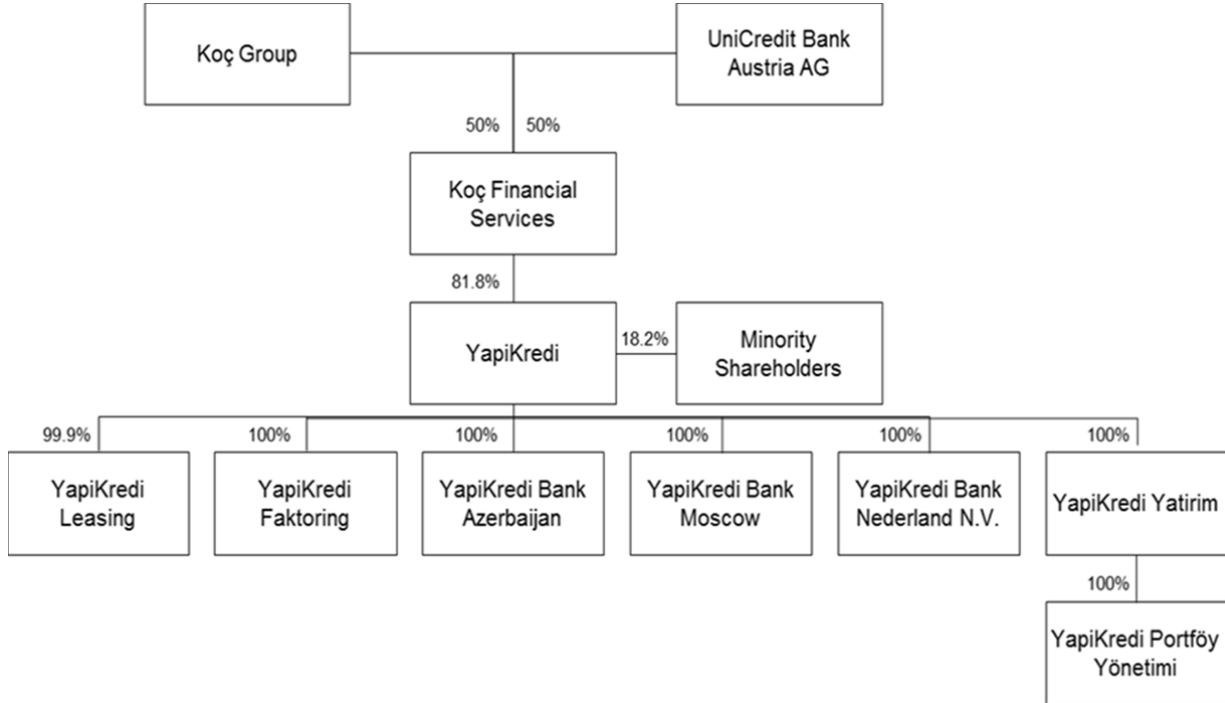
The Bank's new website yapikredi.com received several awards in 2014, including three by the Communicator Awards: "Award of Excellence in Financial Services", "Award of Distinction in Banking/Bill Paying" and "Award of Distinction in Corporate Identity". It was also awarded the "Outstanding Achievement Award in Website Design" by Interactive Media Awards. The Bank's internet banking system has also received several awards in recent years for outstanding service and technology. Global Finance World's Best Internet Bank Awards awarded the Bank the "Best Bill Payment and Presentation in Europe" award in 2011 and 2012 and the "Best Corporate Internet Banking in Europe" award in 2012. The Bank was also awarded the "Best Internet Banking" award by Altin Orumcek (Golden Spider) Awards in 2011.

Call Centre

The Bank's award-winning call centre is one of the largest financial call centres in Turkey in terms of agents and number of calls received. The call centre deals with a wide range of the Bank's services including credit cards, merchants, retail, SME, corporate, commercial and private banking, serving both individual and corporate customers. As of 30 June 2014, the call centre had 1,276 employees. This service is supported by technical infrastructure with the capacity to serve 1,500 customers simultaneously. In addition to being one of the most important service channels, the Bank's call centre has a significant role as a sales hub. For example, in the first six months of 2014, the call centre carried out approximately 23.9 million contacts, 620 thousand credit card retention calls and 0.9 million product sales. Approximately 49.0% of the call centre activities are carried out via an interactive voice recognition system which allows self-service usage.

Corporate Structure

The following chart presents the corporate structure of the Group and its shareholders as of the date of this Base Prospectus.



Subsidiaries

Following the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in October 2006, certain financial subsidiaries of KFS and the Bank were rationalised and merged. Below is a description of the Bank's primary operating subsidiaries.

Domestic Subsidiaries

Yapi Kredi Leasing

Yapi Kredi Leasing was established in 1987 and as of the date of this Base Prospectus was 99.9% owned by the Bank. Yapi Kredi Leasing was listed on the Borsa Istanbul since 1994. However in accordance with Article 25 of the ISE Listing Regulation and the CMB's Principle Decision on De-Listing dated 30 July 2010 and numbered 22/675, Yapi Kredi Leasing was delisted following the second session of 20 July 2012. As of 30 June 2014, Yapi Kredi Leasing had shareholders' equity of approximately TL 1.2 billion. As of 30 June 2014, Yapi Kredi Leasing had 140 employees. The key role of Yapi Kredi Leasing is to develop and provide customers with leasing products through the Bank's wide branch network as well as 12 Yapi Kredi Leasing branches.

Yapi Kredi Faktoring

Yapi Kredi Faktoring was established in 1999 and was 99.95% owned by the Bank as of the date of this Base Prospectus. Yapi Kredi Faktoring provides factoring services in Turkey via its head office in Istanbul, branches in Beyoğlu, Eminönü, Güneşli, Kartal, Kadıköy, İzmir, Ankara, Bursa, Antalya and Adana. The company had 110 employees as of 30 June 2014. Yapi Kredi Faktoring offers its customers monitoring and collection of short term domestic or international receivables from product or service sales, guarantees for receivables against payment defaults and flexible financing through early payment before the due date of the receivables. In terms of the turnover, Yapi Kredi Faktoring has been the market leader in the factoring sector since 2001 and as of 31 December 2013 held a 16.9% market share in total factoring turnover and a 25.8% market share in export factoring turnover (according to the Association of Financial Institutions). Yapi Kredi Faktoring is a member of Factors Chain International.

Yapi Kredi Invest (Yapi Kredi Yatirim)

Yapi Kredi Invest was founded in 1989. With central sales in Istanbul, investment centres in Adana, Ankara, Antalya, Aydin, Balikesir, Bursa, Denizli, Izmir, Kayseri, Marmaris, Samsun, Trabzon and an internet branch, Yapi Kredi Invest provides capital market products, brokerage, corporate finance, derivatives, leveraged foreign currency trading operations and investment advisory services to approximately 47,000 active customers as of 30 June 2014. Yapi Kredi Invest has received authorisation from the CMB to undertake leveraged foreign currency trading operations.

In 2013, Yapi Kredi Invest was third among brokerage houses on the Borsa Istanbul in terms of total equity market transaction volume, with 7.5% market share, according to the Borsa Istanbul Monthly Bulletin. Yapi Kredi Invest ranked second among brokerage houses, with TL 61 billion trading volume, and 7.5% market share of the equity market as of 30 June 2014, according to Borsa Istanbul Data Publications. As of 30 June 2014, Yapi Kredi Invest generated 5.5% market share in the derivatives market among brokerage houses compared to a 5.0% market share as of 31 December 2013, according to Borsa Istanbul Data Publications.

Yapi Kredi Asset Management (Yapi Kredi Portföy)

Established in 2002, Yapi Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products together with portfolio advisory and private fund establishment services. Yapi Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 61 employees as of 30 June 2014.

As of 30 June 2014, Yapi Kredi Asset Management offered 41 mutual funds and had total assets of approximately TL 5.7 billion. Its total market share for mutual funds stood at 17.6% as of 30 June 2014.

Yapi Kredi Asset Management also provides management services to 19 private pension funds. It had approximately 15.2% market share of the private pension fund market in Turkey, with assets under management of approximately TL 4.8 billion as of 30 June 2014.

Yapi Kredi Asset Management provided discretionary portfolio management services to 400 customers as of 30 June 2014, of which 12 were institutional and 388 were high income individual investors. Yapi Kredi Asset Management's assets under management in its discretionary portfolio management services were approximately TL 0.9 billion as of 30 June 2014.

Managed assets, including mutual funds, private pension funds, hedge fund and discretionary portfolios, amounted to TL 11.1 billion as of 30 June 2014.

International Subsidiaries

Yapi Kredi Bank Nederland

Yapi Kredi Bank Nederland N.V., a wholly owned subsidiary of the Bank, is active in the Netherlands and subject to the supervision of De Nederlandsche Bank (the "**Dutch Central Bank**") as well as the Netherlands Authority for the Financial Markets. The bank was established in May 1996 and changed its name from Koçbank Nederland N.V. to Yapi Kredi Bank Nederland N.V. upon acquiring the latter in 2007. The bank operates through its head office in Amsterdam and offers a wide range of retail, corporate and private banking services. Its main objective is to provide banking solutions to domestic customers and also to the Bank's customers from abroad. The focus of its corporate services varies and covers a wide range such as transactional trade finance, ship finance, islamic finance and project finance. In terms of retail banking, Yapi Kredi Bank Nederland N.V. provides saving and deposit products in the Dutch retail market to more than 15,000 customers. As of 30 June 2014, the total assets of Yapi Kredi Bank Nederland N.V. were U.S.\$2.16 billion.

Yapi Kredi Bank Moscow

Yapi Kredi Bank Moscow was established in 1993 and is a wholesale commercial bank serving a growing number of companies operating in Russia. It is a wholly owned subsidiary of the Group serving approximately 1,000 active customers through 64 employees in its head office building, as of 30 June 2014. Yapi Kredi Bank Moscow continues to expand its operations in the Russian banking sector, with an emphasis

on commercial lending, deposit taking, money market operations and foreign exchange transactions. As of 30 June 2014, it had total assets of U.S.\$235 million.

Yapi Kredi Bank Azerbaijan

Koçbank Azerbaijan was established as a joint venture between Koçbank (80%) and the IFC (20%) in 2000. In 2006, KFS became the sole owner acquiring IFC's share. Since early 2007, following the merger of Yapi Kredi and Koçbank, the Bank has continued functioning under the "Yapi Kredi Bank Azerbaijan" brand. Yapi Kredi Bank Azerbaijan provides retail and corporate banking services to its customers, including loans, deposits, project finance, domestic and international money transfers, trade finance, equity market and securities transactions, credit card transactions, safe deposit box and travel cheques. As of 30 June 2014, Yapi Kredi Bank Azerbaijan operated through 15 branches (plus one exchange office), it had 461 employees and 2,864 corporate customers, 4,109 SME customers and 153,721 retail customers, 26 ATMs and 2,664 POS terminals. In September 2012, Yapi Kredi Bank Azerbaijan also launched credit card sales alongside its retail operations. As of 30 June 2014, the total assets of Yapi Kredi Bank Azerbaijan were U.S.\$ 443 million.

Yapi Kredi Malta

In October 2014, the Bank decided to establish a new banking subsidiary in the Republic of Malta under the name of "Yapi Kredi Malta". Yapi Kredi Malta is to be 100% controlled by Yapi Kredi Holding BV whose share capital is fully owned by the Bank.

Preliminary approval for the establishment of Yapi Kredi Malta was granted by the Regulatory Authority of Malta following the necessary permission by the BRSA.

Yapi Kredi Malta is to start operating with a share capital of EUR 60 million. In order to fulfil this capital requirement, the share capital of Yapi Kredi Holding BV is to be increased by the Bank to EUR 102 million from EUR 59 million.

Associates

Banque de Commerce et de Placements S.A.

Banque de Commerce et de Placements S.A. ("BCP") is a Swiss bank established in 1963 and is 30.67% owned by the Bank. The bank has been an affiliate of the Bank since 1996. BCP operates in the areas of trade finance, wealth management, treasury services, and correspondent banking. BCP is rated as investment grade by Fitch. Headquartered in Geneva, the bank also operates through its branches in Luxembourg and Dubai.

Yapi Kredi Insurance (Yapi Kredi Sigorta) and Yapi Kredi Pension (Yapi Kredi Emeklilik)

On 26 March 2013, the Group agreed to sell its non-life and life insurance businesses to Allianz and to establish a 15-year strategic distribution partnership for non-life insurance, life insurance and pension products in Turkey. Following regulatory approvals, the transaction was finalised on 12 July 2013.

As the first component of this transaction, the Group sold its 93.94% stake in Yapi Kredi Insurance, including Yapi Kredi Pension, to Allianz for total cash consideration of TL 1,790 million (of which TL 1,410 million will accrue to the Bank). As the second component of the transaction, the Group then bought back and will retain a total 19.93% stake in Yapi Kredi Pension for cash consideration of TL 188 million in order to benefit from the expected strong growth in the life insurance and pension business in Turkey.

As the third component of the transaction, the Group also entered into the 15-year bancassurance agreement with Allianz for the marketing and distribution of non-life insurance, life insurance and pension products through the Group's retail network and other alternative delivery channels. The partnership combines the Group's customer-focused leading retail franchise in Turkey with Allianz's global experience and leadership in developing and managing insurance products. Throughout the duration of the Bancassurance Agreement, the Bank is to receive a commission flow for the distribution services as well as a profit share from its life insurance sales

Joint Venture

Yapi Kredi Koray Gayrimenkul Yatirim Ortakligi A.Ş.

Yapi Kredi Koray Gayrimenkul Yatirim Ortakligi A.Ş. is a real estate investment trust established in 1996. The trust is 30.45% owned by the Bank and 47.01% publicly quoted. The trust is headquartered in Istanbul.

Competition

In recent years, the banking sector has become increasingly important to the Turkish economy and foreign banks have become increasingly involved in the sector.

As of 30 June 2014, there were a total of 47 banks licensed to operate in Turkey (excluding four participation banks). According to the Turkish Banking Association, as of 30 June 2014, the five largest banks in Turkey held 57% of the banking sector's aggregate loan portfolio and 58% of aggregate banking sector assets in Turkey. Among the 10 largest banks, there are three state owned banks: Ziraat (ranked first), Halkbank (ranked sixth) and Vakifbank (ranked seventh), which constituted 30% of the total banking sector assets.

Foreign banks have shown an increased interest in the banking sector in Turkey in recent years. Foreign banks such as BNP Paribas, Citigroup, Fortis, HSBC, ING, National Bank of Greece, UniCredit, Sberbank, Bank Audi and Commercial Bank of Qatar, have acquired interests in Turkish banks. Additionally, during May 2014, Industrial and Commercial Bank of China agreed to acquire a 75% stake in Tekstilbank.

According to BRSA statistics, as of 30 June 2014, 31 December 2013, 2012 and 2011, the Bank's market share in loans, deposits and assets were as follows:

	As of 30 June	As of 31 December		
	2014	2013	2012	2011
		(%)		
Loans	9.8	9.5	10.0	10.3
Deposits	9.6	9.1	8.9	9.2
Assets.....	9.1	9.1	9.4	9.3

Source: Banking Regulatory and Supervisory Agency (BRSA)

As of 30 June 2014 and 31 December 2013, according to BRSA statistics, the Bank was the fourth largest private bank in Turkey by total assets. The Bank's management views Garanti Bank, Akbank and Isbank as the Bank's main competitors.

As of 30 June 2014, the Bank was a Turkish market leader in credit cards (20.2% market share in credit card outstanding volumes according to BRSA statistics, 18.3% market share in credit card issuing volumes and 17.9% market share in number of credit cards according to the Interbank Card Centre data). As of 30 June 2014, the Bank was a Turkish market leader in leasing (20.1% market share according to the Turkish Leasing Association). As of 31 March 2014, the Bank was also a Turkish market leader in factoring (12.4% market share according to the Turkish Factoring Association). As of 30 June 2014, the Bank has strong positions in asset management (ranked second with 17.6% market share according to Rasyonet), brokerage services (ranked second with 7.5% market share according to the CMB) and non-cash loans (ranked first with a 13.4% market share according to the BRSA statistics).

Employees

As of 30 June 2014 and 31 December 2013, the Group had 18,796 and 16,680 employees, respectively, of whom 17,721 and 15,683, respectively, were employees of the Bank. The following table sets out the number of employees of the Group and the Bank as of 30 June 2014 and 31 December 2013, 2012 and 2011:

	As of 30 June	As of 31 December		
	2014	2013	2012	2011
Bank.....	17,721	15,683	14,733	14,859
Head office and operations	6,954	6,074	5,553	5,227
Branches	10,767	9,609	9,180	9,632
Subsidiaries	1,075	997	2,726	2,447
Total Group.....	18,796	16,680	17,459	17,306

The Bank's management believes that the Bank has a qualified workforce with appropriate educational backgrounds. All employees are trained in customer-oriented service principles and are considered competent in technical banking applications. Women represented 63% of total employees, and the proportion of university graduates was 72% as of 30 June 2014. As part of the Bank's training strategy, the Bank employs new graduates and prepares them within the institutional culture for managerial positions.

Within the Bank, there are unionised employees, for whom a collective bargaining agreement (the "CBA") applies, in addition to Turkish labour laws and the Bank's personnel regulations, which apply to all of the Bank's employees. In total, 17,721 of the Bank's employees were members of the Union, amounting to 63% of all employees as of 30 June 2014. In mid-2011 the Bank renewed the CBA with the Union for a term of two years, under which the Bank undertakes to increase the salaries of its employees every six months in line with the increase rates of the Turkish CPI.

With respect to Union employees, the Bank's management and Union officials meet regularly to exchange information on working conditions. The Bank and the Union agree and sign new protocols to the CBA every two years and the last agreement covers the period from 1 April 2013 to 30 June 2015. The Bank also provides additional benefits to its employees including a group retirement plan, health insurance and welfare fund.

Information Technologies

The Group's information technologies and operations departments are integrated in order to provide better service internally and improve the efficiency of core banking activities.

The Group maintains its information technologies and operations infrastructure in order to support its growing business and minimise operational risk and business interruption. The Bank operates a 2,000 square meter information technology centre in Gebze, Kocaeli (43 kilometres from Istanbul), which deals with all of the Bank's technology functions and initiatives. The fully operational information technology centre provides services to the Bank's headquarters, branches and customers. The Bank has developed much of its software in-house, including its internet banking software, through its software development department.

The Group has developed and implemented procedures for emergency system and data restoration and maintains a separate disaster recovery centre in Ankara, which has been in place since 1998. The disaster recovery site contains all key applications, such as Core Banking, Internet Banking, Workflow Systems, Credit Cards Systems, ATMs, EFT, SWIFT and Treasury. Data is transferred online as defined in Disaster Recovery Procedures. The Group maintains a remote online real time disaster recovery system, which is operated when the main production system or main data centre is not available. The Group can transfer operations and re-route data lines through the disaster recovery system within 30 minutes. The disaster recovery centre is tested on a bi-annual basis. This has enabled the Bank to be in full compliance with Basel II requirements for systems and data.

In 2011, it was decided to increase IT capacity to enable better service to business. The IT project development capacity has been increased by 50% since 2011 to a target of more than 125,000 man-days in 2014. In 2011, the Bank completed 178 IT projects. This number increased to 207 in 2012 and 213 in 2013. In 2014, the target is to complete 251 IT projects.

Major programs that have recently been completed include "Open World" and "Harmoni".

The Open World program was started in May 2009 and involved the transporting of the Mainframe System to "Open System" with the aim of strengthening the Bank's leading position in the credit card market and further differentiating the Bank from its competitors by creating a credit card system suitable for simple, quick and flexible improvement and delivering structural enhancements. In particular, Open System aimed to reduce credit card maintenance, development and transaction costs, improve the Bank's disaster recovery system, and adopt new functionalities including credit limit management and card differentiation. This program was completed in the second quarter of 2014.

The Bank's other primary initiative was started in 2011 and involved the migration to a new front-end platform called Harmoni. The program used a process-based approach for maximising business efficiency and system performance. 696 reports, 1101 screens, 736 types of transactions and 151 types of work flow

management forms have been migrated to the Harmoni platform. The program was completed in the fourth quarter of 2013.

Major ongoing programs include the “Treasury & Investment Strategies Program” and Credit Underwriting Redesign.

The Treasury & Investment Strategies Program aims to enhance the Bank’s technical capabilities in treasury systems and investment products, in order to strengthen its competitive position in the market. In order to adapt to the rapidly evolving market trends, a new business model supported by a flexible technical structure is to be implemented with the collaboration of IT and related business units. The program started on 28 February 2013 and is expected to be completed in 2015.

The Credit Underwriting Redesign program aims to create more flexible, automated and user friendly underwriting and disbursement systems. The program was started in 2013 and is planned to be completed in 2015 with gradual deliveries.

In addition, there are further programs which aim to strengthen the Bank’s market position in the following key areas:

- **MCM Program**

In 2011, a set of new projects were initiated in parallel with the Bank’s new strategies to develop “multichannel banking” (e.g., mobile banking, centralised customer service call centres, ATM management and marketing optimisation). A number of strategic projects have been launched within the program. Yapı Kredi Mobile Banking was launched in 2011 for various mobile platforms and new functionalities are being added continuously. The Branch Call Diversion Project was completed in the third quarter of 2013 for efficient and high quality call management in branches. The new Yapı Kredi Internet Banking was launched in the first quarter of 2014, with new design and new functionalities, including extended CRM features and security enhancements. The Bank’s web site has been renewed for better customer communication. The web site has received awards from “Communicator Awards” in three categories (Award of Excellence in Financial Services, Award of Distinction in Banking/Bill Paying category, Award of Distinction in Corporate Identity) and the Outstanding Achievement Award from “Interactive Media Awards” for its self-learning behaviour and simple design. The program is expected to be completed in 2014.

- **Direct Banking**

A new Direct Banking platform was launched in May 2014 with the brand name “Nuvo”. By offering a new direct banking platform, the program aims to acquire new customers, decrease the usage of high-cost channels, such as branches, and increase the usage of low-cost channels, such as mobile branches and Internet branches. The target model focuses on students, young professionals and tech savvy seniors, who have basic banking needs and are sensitive to pricing. As of the date of this Base Prospectus, platform functionality expansion is ongoing with the addition of new products and features.

- **Sales Force Automation & Credit Card Only Customer Acquisition Program**

Retail banking management strategies is supported by giving automated and efficient processes to end-users. Simple product sales processes, more efficient disbursement processes, quick underwriting availability, one click cross sell interface and form free sales availabilities aim at increase the sales capacity and productivity. Another aim of the program is to migrate customers that use only credit cards to the retail segment through cross-selling activities. The program has been completed and rolled out in all branches as of August 2014.

- **UPDM**

This project aimed to create a unified collection system for the Group which will replace the existing distribution infrastructure. This project was initiated in the first quarter of 2013 and completed in June 2014.

- **Corporate Internet Banking Uplift**

The main goal of this project is to renew the design and increase functionality of Corporate Internet Banking, to enhance usability, security and efficiency. The project is planned to be completed in 2015.

Property

The Group owns or leases premises for its head office, branches and operations centres. As of 30 June 2014, the Group's fixed assets (comprising land, land improvements, buildings, computer hardware and other fixed assets) had a total net book value of TL 986.7 million (U.S.\$464.7 million) or 0.6% of the Bank's total assets. The net book value of the Group's land, land improvements and buildings was TL 591 million as of 31 December 2013. The Group owns its headquarters buildings in Istanbul and its operations centre in Gebze. As of 30 June 2014, the Bank owned approximately 20% of its branches and the rest were leased.

Insurance

The Group maintains insurance policies with levels of coverage it deems necessary given the nature of its business. The Group's fixed assets, cash in transit and cash in hand are covered by general insurance arrangements covering normal risks. The Bank generally requires that real property assets owned by borrowers which form part of the collateral for loans the Bank makes are insured. The Bank does not have any credit risk insurance in relation to defaults by its customers as this type of insurance is generally not available in Turkey. The Group maintains insurance on its properties, including its head office and branches and personal property, with respect to such risks, including earthquakes and terrorist attacks, and in such amounts as the Group deems appropriate.

Legal Proceedings

From time to time, in the ordinary course of its business, the Group is party to legal proceedings, both as a plaintiff and a defendant. There are no legal proceedings pending, or to the Group's knowledge threatened, that may materially adversely affect the Group's business, results of operations or financial condition. As of 30 June 2014, the Group recognised a provision of TL 76,338 thousand in respect of legal proceedings.

Istanbul Commercial Court Litigation

The Bank is a defendant in a lawsuit filed by a Turkish company with respect to amounts collected by the Bank under an agreement for the transfer of shares in exchange for a profit sharing arrangement following the bankruptcy of the company in 1992. The litigation commenced in 2005. In May 2010, the Istanbul Commercial Court issued a judgment against the Bank in the amount of TL 25 million plus accrued interest. The Bank filed an appeal and in September 2012 the Court of Appeals overturned the decision of the Istanbul Commercial Court on the basis of incomplete review of information relating to the dispute. However, in December 2012, one of the plaintiffs objected to the appellate ruling and asked for the correction of the judgment. The Court of Appeals turned down the objection. The Istanbul Commercial Court complied with the Court of Appeals' decision and reviewed the case, taking into consideration the judgement of the Court of Appeals. In its decision, the Istanbul Commercial Court ruled against the Bank, but it decreased the compensation amount. The Bank has filed an appeal against this new decision of the Istanbul Commercial Court and it has not recorded any provisions in its financial statements in respect of this litigation.

Competition Board Investigations

In November 2011, the Turkish Competition Board announced that it had initiated an investigation into 12 major Turkish banks, including the Bank as well as two other financial institutions, in response to allegations that these entities had violated Article 4 of Law No. 4054 on the Protection of Competition (the "**Competition Law**") by acting in concert with respect to interest rates in the deposit, credit and credit card services markets. The Competition Law is enforced by the Competition Board, which has the power to investigate possible breaches and impose administrative fines up to 10% of the annual gross income of the entity determined to be in breach of the Competition Law. The amount of the fine is determined by the Competition Board. The Bank was notified of the investigation on 16 November 2011 and submitted its first, second and third defence statements to the Competition Board on 12 December 2011, 9 October 2012 and 7 January 2013, respectively. The Competition Board made its final decision regarding the investigation on 8 March 2013. The

Competition Board confirmed in its decision that it had found that breaches of competition law had occurred and issued fines against the Bank and the other 11 banks which were being investigated. The fine imposed on the Bank was TL 149,961 thousand.

Pursuant to Article 17 of the Misdemeanour Law No. 5326, the Bank paid the fine within 30 days of its imposition and thereby reduced it to 75% of the original amount, or TL 112,471 thousand. The Bank has appealed the Competition Board's decision before the Ankara Administrative Court.

Turkish Tax Penalty

In November 2013, the Bank was asked to pay tax and a penalty, amounting to TL 103.2 million, by the Turkish Ministry of Finance for banking transaction tax due on loans and advances given to Turkish customers between 2008 and 2010 from the Bank's branch in Bahrain. In December 2013, the Turkish Ministry of Finance corrected the calculation, increasing the amount to TL 129 million. The Bank intends to use its legal rights to appeal and resolve this decision, including through mutual agreement negotiations, which application is still under review. The Bank has maintained provisions for possible tax and penalties for the said transactions since 2010, which the Bank's management believes are adequate to cover the full risk associated with the tax and penalty. Such provisions are reflected in the BRSA Financial Statements incorporated by reference in this Base Prospectus.

RISK MANAGEMENT

Internal Audit Department

The Bank's internal audit department is divided into three primary divisions: strategic planning and audit coordination, network audit, and domestic and foreign subsidiary audit. The department utilises a risk-oriented model to assess credit risk, operational and IT risk, market risk, and investigations and coordination of audits in the Bank's subsidiaries. Audits are conducted every 18 months for all of the Bank's branches, every 12 to 24 months on average for the Bank's subsidiaries, and on an ongoing, risk-driven basis every 12 to 60 months for the Bank's head office.

Regular and process audits are scheduled based on an annual audit plan which is submitted to the Board of Directors and shareholders for approval through the Audit Committee. The annual audit plan is prepared following meetings with the senior management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, significant internal audit findings are submitted to the Board of Directors at least four times a year through the Audit Committee.

For 2014, the execution of the management assertion study requested by the BRSA is ongoing. In this context, banking processes and general IT controls, as well as the support services companies' on-site audits, are included within the management assertion framework. The review of the test results has not been completed yet and the first phase of test results is to be submitted to the Audit Committee in October 2014.

Risk Management Department

The Bank's risk management department functions independently from its commercial operations. With the Credit Committee and the Asset and Liability Management function of the Executive Committee, the risk management department is an integral part of ensuring the Bank's compliance with the Banking Law, with respect to measuring, monitoring and managing credit, market and operational risks.

The basic functions of the risk management department are to measure and manage risks in a manner consistent with the Bank's risk appetite. The risk management department is also responsible for: (a) maximising returns on invested capital and maintaining sustainable profit growth, (b) monitoring trends in risk exposures and communicating irregularities to senior management, (c) monitoring asset and liability profiles to allow the Bank to take rebalancing actions on a timely basis, (d) defining the risk structures of products, processes and services, (e) measuring the credit risk of the Bank's portfolio via rating models, and (f) ensuring the Bank's compliance with the Banking Law.

As of 30 June 2014, the risk management department had 69 employees, excluding retail, commercial and corporate credit departments. The main organisational functions of the department are credit risk control and operational risk management, credit risk management and market risk management.

Credit Risk Control and Operational Risk Management

Credit risk control involves the following key roles and responsibilities in the Bank: (a) defining the optimum composition of the overall loan portfolio and identifying risk positions within legal and Group limitations, (b) preparing credit risk budget in line with the Bank's risk appetite and lending targets, (c) monitoring the evolution of credit risk for all segments (including by industry, type and sector), (d) preparing and presenting strategic credit risk related reports to the senior management (including the evolution of loan provisioning and comparison with peer banks), (e) calculating cost of risk and related provisions by segments to assess the underlying risk of the loan portfolio and maintain asset quality, and (f) providing support to, and coordinating the functions of, the Bank's subsidiaries with the aim of achieving loan portfolio with the best credit-worthiness possible, and ensuring the proper implementation of their credit, credit risk cost and budgeting processes, including preparing action plans for such subsidiaries to align implementation processes across the Group.

The operational risk management section of the risk management department is responsible for the following tasks: (a) defining the Group's operational risk policy covering IT risks, (b) issuing guidelines for the measuring, evaluation and management of operational risks and IT risks, and ensuring correct implementation both at Bank and subsidiary levels, (c) developing and regularly updating the operational risk measuring and monitoring systems and models at Group level, (d) measuring and monitoring operational risks and IT risks at

Group level, (e) carrying out “second level controls” for operational risks and IT risks at Group level, (f) ensuring compliance with Basel II in the area of operational risk, (g) managing the Business Continuity Plan of the Bank with particular responsibility for assuring the establishment and maintenance of the plan, and controlling and coordinating the various entities involved in the process, (h) preparing action plans for operational risk mitigation and coordinating the implementation of such plans, and (i) regarding reputational risk, setting and ensuring implementation of the policies and the strategies for the assessment, quantification and management.

Credit Risk Management

The credit risk management department is in charge of the following: (a) defining and maintaining the operational credit risk policies of the Bank, i.e., the policies that are used in daily credit processes, (b) measuring the credit risk of the portfolio by developing PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default) models, (c) defining the business specifications of all information technology tools used throughout the credit processes and the information technology systems where the information about credit risk is kept (e.g. limits, risks, collaterals, credit risk datamarts in the DataWarehouse), (d) evaluating new credit products and changes to existing credit products, (e) leading credit risk related IRB Basel II preparations at a Group level in anticipation of approaches by the BRSA, (f) validating and monitoring of the rating/scoring systems used by the Bank in daily business process, (g) establishing, monitoring and coordinating studies related to Internal Capital Adequacy Assessment Process and economic capital calculations, (h) managing and monitoring rules sets used in retail portfolios for underwriting, monitoring and collection purposes, and (i) making economic calculations for the credit portfolio.

Lending Policy

Personalised Performance Based Scheme for Branch Managers

In 2013, the Bank began determining branch managers’ lending approval authority based on their personal historical NPL performance. During 2013 and the six months ended 30 June 2014, the Bank further improved this scheme by making the underwriting authority of the Bank’s branches dependent on the NPL performance of their branch managers, in addition to being dependent on their clients’ probability of default rating.

Lending Limits

The BRSA defines large exposure as an exposure exceeding 10% of the Bank’s capital base in light of BRSA credit conversion factors. The Bank’s total exposure to a single company or group cannot exceed 25% of the Bank’s capital base. Total exposure to a risk group (comprised of Koç Holding and UniCredit Group) cannot exceed 20% of the Bank’s capital base. The total of the Bank’s large exposures cannot exceed the Bank’s capital base by more than eight times. To date, the Bank has never exceeded these ratios. Further description of the applicable regulatory requirements is set out in “*Turkish Regulatory Environment—Lending Limits*”.

According to the Bank’s credit policy each individual sector should not exceed the targeted level of 10% of total portfolio. To date, the only industrial sector that exceeds this internal limitation is the construction sector, including non-cash lending. This sector also includes various sub-sectors, such as commercial real estate finance which constitutes a significant share. The credit policy defines large exposure as an exposure exceeding 5% of KFS’s consolidated capital base and/or an exposure in excess of EUR 25 million. KFS’s total exposure to a single company or group cannot exceed 20% of KFS’s consolidated capital base.

Limit Structure

The Bank’s credit underwriting divides credits into three risk categories. Category A (full risk) includes credit lines that are not directly and explicitly associated with a commercial transaction and are not self-liquidating, and medium/long-term credit lines (with maturity over 18 months) that are directly associated with a commercial transaction. Category B (commercial risk) includes all short-term trade/commercial-related credit lines which are not self-liquidating. Category C (self-liquidating risk) includes all credit lines supported with credit transfer and/or against a reimbursement predetermined procedure that is self-liquidating.

Approval Authorities

In general, the lowest level credit approval authority is the branch manager for corporate and commercial loans and the retail sales manager for SME loans. Up to certain thresholds there is no involvement of credit departments at either branch or regional level. Branch managers' individual approval authority is determined based on their historic NPL ratios throughout their career, particularly with regard to SMEs.

For authorisations of credit above TL 350 thousand (after taking rating and product co-efficients into account) for SMEs and TL 1,000 thousand for corporate and commercial banking, starting at the level of the Regional Manager, the credit department will be involved and their credit opinion is binding. If a credit opinion is negative, the credit proposal may either be passed onto a higher authority or be rejected.

Higher Credit and/or Reputation Risk Loans

Certain types of transactions entail a higher credit and/or reputation risk for the Bank and are therefore either discouraged or require a higher level of approval. Loans to political organisations (including the campaigns of political candidates), gambling organisations and sport clubs (including related businesses such as merchandising shops, selling of tickets and TV rights) are restricted by the Bank's policies. The Bank applies higher levels of approval and a prudent approach towards loans in other sectors, such as ship building, media, health and arms and weapons dealings.

Approval at the head of sales department level is required for balloon/bullet loans, loans to governmental and municipal authorities, loans to holding companies, loans to real estate development companies, exclusive loans for an amount above U.S.\$1 million, bridge loans, loans to financial institutions, refinancing shareholder loans and loans to hospitals and schools.

Approval at the credit committee level is required for loans for the purposes of financing hostile takeovers, subordinated loans and mezzanine debt, financing dividend payouts, bridge loans (extended for future issuance of bonds), loans for purposes of back-to-back financing and financing speculative transactions.

Approval at the Board level is required for loans to entities operating in the nuclear energy sector, in the media sector (local or nationwide, TV/radio broadcasting, newspapers or internet broadcasting), for loans to non-environmental friendly companies and loans to companies involved in dealing in arms and weapons.

Corporate and Commercial Lending

Corporate and commercial underwriting is performed by three units: the corporate credit underwriting section, the commercial credit underwriting section and the specialised credit underwriting section. The corporate credit underwriting section considers credit applications of companies with an annual turnover above U.S.\$100 million or companies considered clients of the corporate strategic business unit. The commercial credit underwriting section reviews credit applications of companies with an annual turnover between U.S.\$5 million and U.S.\$100 million. The commercial credit underwriting section is organised into ten regions (five in Istanbul and five in Anatolia) in addition to the Bank's head office. The specialised credit underwriting section reviews structured finance proposals in the areas of energy, real estate, shipping and concessions, subsidiaries proposals and financial institutions proposals.

Retail Lending

Retail underwriting utilises scorecards, decision trees and rule sets to evaluate the creditworthiness of applications. The data entry for credit card and individual loan applications is done centrally. Once the data entry is performed, inquiries to external sources (including the credit bureau and the Central Bank) and internal data sources (including customer information file and product performance) are run. Retail application scores are calculated through a computerised system. Once the inquiries are completed, the data is sent to the decision engine, where decision trees and rule sets are checked and the final decision is provided. Loan to value ratios are 50% for individual loans (home equity loans and work place loans), 75% for mortgages, 80% for car loans and 70% for second hand car and heavy vehicle loans.

Credit card applications utilise two parallel strategies to assess credit limits. For new applicants, credit limits are granted based on a combination of application score and income. For existing credit card customers,

credit limits are managed based on an economic value added formula, which is primarily calculated based on the relationship between expected revenue, expected loss, and cost of capital of supplying the line of credit.

SME underwriting is performed by three sections divided based on geographical location. The SME credit underwriting section is organised into nine regions (three in Istanbul and six in Anatolia) and in the Bank's head office. The rating system, as well as the results from internal and external inquiries, are the major parameters for credit decisions in SME underwriting. Relevant external and internal information is gathered and fed into the underwriting tools automatically. New clients with bad ratings are rejected automatically whereas clients with ratings that meet certain thresholds are approved automatically by the system.

Rating Models

For corporate and commercial clients, internal application rating models integrated within the underwriting process assign a probability of default for each borrower, classifying them on a scale of nine grades. The model uses financial information, internal behavioural information, qualitative criteria and information from the Central Bank. The outcomes of rating models reflect the riskiness of each rated customer, and generic provisions are set aside in accordance with each performing client's rating. Additionally, on the corporate and commercial side, a separate rating model for construction companies is being developed and implemented.

Probability of default rating models are also used for home loans, general purpose loans, car loans, home improvement loans, overdrafts and credit cards. Since April 2011, internally developed application models have been used for these segments.

Six application rating models are used to measure the creditworthiness of SME clients. The models classify clients in 20 rating classes and assign a probability of default to each borrower. These models use information acquired from both internal and external sources, as well as data compiled by relationship managers while preparing proposals. The first versions of the models were developed and implemented in 2009. In March 2014, the Bank started to use the "fourth generation" of the models.

For commercial and SME clients behavioural rating models were upgraded in 2012. The behavioural scorecards are rating models that are aimed at measuring the worthiness of clients. Such rating models are intended to act as a warning and to start the monitoring process within the Bank. These behavioural ratings are calculated on a monthly basis. Since January 2010, the Bank monitors internally developed exposure at default and loss given default models and, since December 2013, it uses the same also in its business processes (economic capital calculation).

These differentiated evaluation methodologies and processes based on market segments give the Bank the ability to measure, manage and monitor credit risk in a more accurate way.

Loan Loss Provisioning Policy

For purposes of loss provisioning the loans are divided into five groups.

- 1st group: Includes standard loans and other receivables, reimbursement of which has been made within the specified periods or for which no reimbursement problems are expected in the future, and which can be fully collected. No deterioration in the credit risk of the debtor has been observed.
- 2nd group: Includes closely monitored loans and other receivables with respect to which there is no problem at present but which the Bank believes should be more closely monitored for reasons such as decreasing solvency or cash flow problems of the debtor, significant financial risk carried by the debtor, or more generally for which capital sum and interest repayments are likely to fail and the persistence of such problems might result in partial or full non-payment risk.
- 3rd group: Includes loans and other receivables with limited collection ability. These include loans with respect to which the collection of the principal sum and/or interest has been delayed for more than 90 days but less than 180 days from the due date.
- 4th group: Includes doubtful loans and other receivables with respect to which the collection of the principal and/or interest has been delayed for more than 180 days but less than one year from the due date.

- 5th group: Includes loans and other receivables, which are considered as a loss. These include loans that are deemed to be uncollectable, or where collection of principal and/or interest has been delayed by one year or more from the due date.

In accordance with BRSA Principles, the Bank recognises a minimum provision of 1% of total cash credits with standard quality (0.2% of total of letter of guarantees, sureties and other letters of credit) and 2% of total cash credits in close follow up (0.4% for letter of guarantees, sureties and other letters of credit).

In accordance with BRSA Principles, the Bank's loan provisioning policy provides that a provision should be at least 20% when a loan is categorised as being in the 3rd group, 50% in the 4th group and 100% in the 5th group. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment – Loan Loss Reserves*".

Exposure to Credit Risk

The top 20 clients of the Bank mainly include leading conglomerates and state owned enterprises in Turkey. As of 30 June 2014 the share of the top 20 companies in terms of the total gross loans to companies amounted to 13.54%. The Bank has not experienced any deterioration in the credit quality of these clients.

Market Risk Management

As part of a financial group the Bank is constantly exposed to interest rate, liquidity and foreign exchange risks. The Bank's market risk policy provides for guidelines with respect to the market risk management and binding limit structure and defines roles and responsibilities of the various teams involved. Market risk is managed based on the treatment of the Bank's banking and trading books. The banking book consists of all assets and liabilities arising from commercial activities, and is sensitive to interest rate and foreign exchange movements. The trading book includes positions held for trading, client servicing purposes or keeping the Bank's market making status. The Bank's market risk management strategy, policies and guidelines are based on UniCredit Group standards as well as on the Turkish regulatory rules and procedures.

The Bank's trading activity is realised on foreign exchange and securities, which are tolerated within predefined limits. Risk limits are set in terms of end-of-day and intra-day position basis, as well as value at risk ("**VaR**"), monitored on a daily basis. Monitoring of trading activity is performed daily through reports prepared by the market risk management department, which show VaR positions and stop-loss limits, in addition to back-testing profit and loss figures. These reports are then sent to the Bank's executive management, the Treasury department and the UniCredit risk management group.

The banking book's interest rate risk is measured monthly through the economic value perspective. The economic value sensitivity method calculates the potential change in fair value of the Bank's interest rate positions resulting from a parallel upward or downward shift of the yield curve. As outlined in Basel II, this interest rate fluctuation is to be maintained within 20% of the Bank's core Tier 1 and Tier 2 capital. Interest rate swaps are utilised to mitigate the banking book interest rate risk resulting from the maturity mismatch. Besides Economic Value Sensitivity, an overall VaR, covering all balance sheet items and Basis Point Value methods are used to measure the structural interest rate risk. Structural foreign exchange position risk limits and VaR are also monitored daily and reported to the executive management.

The Bank monitors liquidity risk daily, paying particular attention to keeping enough cash and cash equivalent instruments to fund increases in assets, unexpected decreases in liabilities, as well as meeting legal requirements, while optimising the cost of carrying any excess liquidity. The liquidity policy provides guidelines to quantify the liquidity position and achieve a sound balance between profitability and liquidity needs. Liquidity risk limits are set both for short term and structural long term liquidity positions. The Bank has its own liquidity contingency plan on liquidity management. As part of the UniCredit Group, the Bank is included in the UniCredit Group liquidity contingency plan. Moreover, the Bank maintains the majority of its securities portfolio as marketable, thus facilitating access to repo market as and when short liquidity is needed.

The Bank's derivative instruments are limited to financial instruments such as forwards, swaps, futures and options in foreign exchange and capital markets. These transactions are considered effective economic hedges under the Group's management policies

As part of its management market risk, the Group undertakes various hedging strategies. The Group also enters into interest rate swaps to match the interest rate risk associated with the fixed rate long-term loans.

Fair value hedges

Since 1 March 2009, the Group has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest Turkish Lira mortgage and car loan portfolios, as well as changes in foreign exchange rates on part of its foreign currency borrowed denominated funds, using cross currency rate swaps. The net carrying value of hedging instruments as of 30 June 2014 amounted to assets of TL 139,724 thousand compared with assets of TL 307,375 thousand as of 31 December 2013 and TL 3,763 thousand as of 31 December 2012. As of 30 June 2014, the mark-to-market difference of the hedging instruments since the inception date of the hedge relationship was a gain of TL 1,954 thousand, compared with a loss of TL (153,748) thousand, a gain of TL 41,431 thousand and a loss of TL (117,225) thousand as of 31 December 2013, 2012 and 2011, respectively. As of 30 June 2014, the fair value difference of the hedged item was TL (3,160) thousand, compared with TL (5,113) thousand, TL 148,635 thousand and TL 107,204 thousand as of 31 December 2013, 2012 and 2011, respectively. Their changes in fair value amounted to an increase of TL 1,954 thousand as of 30 June 2014, a decrease of TL 153,748 thousand as of 31 December 2013, an increase of TL 41,431 thousand as of 31 December 2012 and a decrease of TL 117,225 thousand as of 31 December 2011.

Cash flow hedges

The Group is exposed to fluctuations in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges to guard against these interest rate risks.

In order to hedge its cash flow risk from liabilities, the Group has applied cash flow hedge accounting since 1 January 2010.

Net gain on cash flow hedges reclassified to the statement of income

The net gain/(loss) on cash flow hedges reclassified to the statement of income during the six months ended 30 June 2014 and the years ended 31 December 2013, 2012 and 2011 was as follows:

	For the six months ended 30 June	For the year ended 31 December		
	2014	2013	2012	2011
	<i>(TL, thousands)</i>			
Portion of cash flow hedges reclassified to the statement of income	(58,508)	(247,017)	(209,965)	(185,994)

For the six months ended 30 June 2014 and for the years ended 31 December 2013, 2012 and 2011, losses of TL 7,579 thousand, TL 434 thousand, TL 2,304 thousand and TL 1,076 thousand, respectively, were recognised in the statement of income due to the ineffectiveness of cash flow hedges.

As of 30 June 2014, 31 December 2013, 2012 and 2011, net losses arising from cash flow hedges recognised under equity, net of reclassification to statement of income and net of tax, were TL 181,541 thousand, TL 445,696 thousand, TL 252,283 thousand and TL 206,702 thousand, respectively.

Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings.

The Group's euro denominated borrowing is designated as a hedge of the net investment in certain of the Group's euro denominated subsidiaries. The total amount of borrowing designated as a hedge of the net investment as of 30 June 2014 was EUR 279 million, compared to EUR 275 million as of 31 December 2013, EUR 264 million in 2012 and EUR 238 million in 2011.

The major measurement technique used to measure and control market risk is outlined below.

Value-at-risk

The Group applies a VaR methodology to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based on a number of assumptions for various changes in market conditions. The VaR limits are set by the Board and revised every year according to the budget and strategic plan of the Group. VaR limit compliance is monitored by risk management on a daily basis. Since 1 January 2009, these limits have not been exceeded.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Group might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VaR estimate. The VaR model of the Group assumes a one day “holding period” until positions can be closed. The Group’s assessment of past movements is based on data for the past 500 days. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions—a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation (back testing). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Group’s market-risk control regime, VaR limits are established by the Board annually for all trading portfolio operations. For investment positions, as well as for the held-to-maturity portfolio, risk appetite limits are applied (VaR/nominal position). Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by risk management. Average daily VaR for the trading portfolio of the Group for the year ended 31 December 2013 was TL 3,049 thousand, compared to TL 1,632 thousand for the year ended 31 December 2012 and TL 1,036 thousand for the year ended 31 December 2011. As of 30 June 2014, the VaR for the trading portfolio of the Group was TL 2,972 thousand.

The quality of the VaR model is continuously monitored by back testing the VaR results for trading books. All back testing exceptions are investigated and results are reported to the monthly meetings of the Asset and Liability Management function within the Executive Committee.

Stress tests

Stress tests provide an indication of the potential size of the losses that could arise in extreme conditions. The stress tests carried out by risk management, also indicated in the market risk policy of the Group, include foreign exchange and interest rate stress testing, where stress movements are applied to the foreign exchange position and to the banking book. The results of the stress tests are reviewed by the Asset and Liability Management function within the Executive Committee. Following the implementation of the Internal Capital Adequacy Assessment Process by the local regulator in Turkey, the Bank also calculates bank-wide stress tests.

Foreign exchange risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set by the Board on the level of exposure in aggregate for both overnight and intra-day positions, which are monitored on a daily basis. The Bank performs periodic stress tests on foreign currency VaR by implementing different scenarios. These stress test scenarios are periodically renewed and monitored in accordance with market volatility.

Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuation in the prevailing levels of market interest rates in both its fair value and cash flow risks. Interest rate risk limits are set in terms of a total economic value sensitivity limit. Sensitivity analysis is performed according to a scenario of 4% shift in Turkish Lira yield curve and 2% shift in foreign exchange yield curve. The resulting profit/loss should not exceed 20% of the Bank’s Tier 1 and Tier 2 Capital. Moreover, the BPV is applied for

the banking book. The BPV limit restricts maximum interest rate risk position by currency and time buckets with valuation changes being based on an interest rate change of 0.01%.

In 2009 the Bank started to hedge a portion of its interest rate risk between its medium- and long-term fixed rate Turkish Lira loans (such as mortgages) and its Turkish Lira deposits, which have a relatively short maturity when compared to the Bank's assets. The Bank hedged this exposure by creating fixed rate medium/long-term Turkish Lira funding via cross currency interest rate swap contracts (U.S. dollars against Turkish Lira) and interest rate swaps.

The tables below set out the Group's exposure to interest rate risk as of 30 June 2014 and 31 December 2013, 2012 and 2011 in TL thousands. The tables include the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	As of 30 June 2014						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey...	—	—	—	—	—	20,068,317	20,068,317
Banks	1,897,840	497,871	390,075	42,800	—	600,297	3,428,883
Financial assets at fair value through profit/loss	116,988	137,394	362,705	60,246	33,419	10,571	721,323
Money market placements	2,356,888	195,301	8,050	—	—	—	2,560,239
Available-for-sale financial assets	869,379	2,076,035	5,549,581	3,080,462	3,323,588	143,982	15,043,027
Loans	22,706,551	16,686,364	40,530,679	21,757,484	7,005,693	1,098,727	109,785,498
Held-to-maturity investments	441,627	594,855	1,237,488	814,204	2,974,903	—	6,063,077
Other assets	2,059,911	743,593	1,323,413	2,448,001	450,965	5,896,319	12,922,202
Total assets	30,449,184	20,931,413	49,401,991	28,203,197	13,788,568	27,818,213	170,592,566
Liabilities							
Bank deposits	1,135,630	6,813	486,035	33,057	—	259,128	1,920,663
Other deposits	49,512,390	21,538,774	5,468,204	1,050,340	205,685	16,372,736	94,148,129
Funds from money market	2,752,643	527,400	215,141	285,666	—	—	3,780,850
Miscellaneous payables	—	—	—	—	—	7,415,522	7,415,522
Marketable securities issued	366,585	1,092,571	3,615,424	3,762,681	1,215,517	—	10,052,778
Funds borrowed from other financial institutions	4,977,695	7,556,256	5,298,481	1,454,479	271,280	—	19,558,191
Other liabilities and shareholders' equity	206,954	541,543	2,403,226	27,542	4,386,835	26,150,333	33,716,433
Total liabilities	58,951,897	31,263,357	17,486,511	6,613,765	6,079,317	50,197,719	170,592,566
Balance sheet long position	—	—	31,915,480	21,589,432	7,709,251	—	61,214,163
Balance sheet short position	(28,502,713)	(10,331,944)	—	—	—	(22,379,506)	(61,214,163)
Off-balance sheet long position	1,049,557	13,237,222	209,874	—	—	—	14,496,653
Off-balance sheet short position	—	—	—	(13,614,760)	(1,246,262)	—	(14,861,022)
Total position	(27,453,156)	2,905,278	32,125,354	7,974,672	6,462,989	(22,379,506)	(364,369)

	As of 31 December 2013						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey...	—	—	—	—	—	18,990,749	18,990,749
Banks	1,576,200	595,363	160,720	268,580	—	1,408,263	4,009,126
Financial assets at fair value through profit/loss	608,910	302,170	646,595	78,505	16,094	70,890	1,723,164
Money market placements	2,928,447	—	—	—	—	—	2,928,447
Available-for-sale financial assets	1,480,255	1,812,665	3,020,550	3,394,855	3,376,746	124,291	13,209,362
Loans	21,973,749	23,795,066	27,748,966	19,201,312	6,716,765	1,188,072	100,623,930
Held-to-maturity investments	428,297	1,858,200	1,379,856	213,437	3,009,813	—	6,889,603
Other assets	1,858,357	868,024	1,674,081	2,093,455	291,986	5,149,560	11,935,463
Total assets	30,854,215	29,231,488	34,630,768	25,250,144	13,411,404	26,931,825	160,309,844
Liabilities							
Bank deposits	593,418	668,674	436,095	134,031	—	540,702	2,372,920
Other deposits	51,418,875	13,295,777	6,169,525	964,820	333,389	13,926,475	86,108,861
Funds from money market	3,085,947	1,558,317	673,882	287,140	—	—	5,605,286
Miscellaneous payables	—	—	—	—	—	7,268,299	7,268,299
Marketable securities issued	42,903	914,694	2,459,188	3,649,025	1,357,033	—	8,422,843
Funds borrowed from other financial institutions	4,382,703	8,251,969	5,071,658	1,361,128	224,109	—	19,291,567
Other liabilities and shareholders' equity	307,644	4,132,076	3,274,692	35,018	3,001	23,487,637	31,240,068
Total liabilities	59,831,490	28,821,507	18,085,040	6,431,162	1,917,532	45,223,113	160,309,844
Balance sheet long position	—	409,981	16,545,728	18,818,982	11,493,872	—	47,268,563
Balance sheet short position	(28,977,275)	—	—	—	—	(18,291,288)	(47,268,563)
Off-balance sheet long position	5,300,906	10,419,510	424,881	—	—	—	16,145,297
Off-balance sheet short position	—	—	—	(14,324,820)	(1,247,341)	—	(15,572,161)
Total position	(23,676,369)	10,829,491	16,970,609	4,494,162	10,246,531	(18,291,288)	573,136

	As of 31 December 2012						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey..	—	—	—	—	—	11,487,948	11,487,948
Banks	2,392,151	432,471	554,909	234,203	—	1,728,763	5,342,497
Financial assets at fair value through profit/loss	143,366	129,234	226,709	131,175	297,895	74,616	1,002,995
Money market placements	2,664,118	109,118	—	—	—	—	2,773,236
Available-for-sale financial assets	1,687,065	1,608,723	2,450,574	3,206,361	6,679,098	18,627	15,650,448
Loans	17,633,269	18,762,035	20,163,124	15,503,331	4,821,813	1,905,275	78,788,847
Held-to-maturity investments	17,390	1,614,522	1,462,174	326,880	2,406,728	—	5,827,694
Other assets	1,565,677	733,369	981,945	1,489,414	123,421	5,730,270	10,624,096
Total assets	26,103,036	23,389,472	25,839,435	20,891,364	14,328,955	20,945,499	131,497,761
Liabilities							
Bank deposits	173,294	363,879	406,122	124,776	66,040	315,172	1,449,283
Other deposits	42,197,427	12,674,271	2,692,833	669,909	9,385	11,450,283	69,694,108
Funds from money market	4,871,821	1,601,854	—	—	—	—	6,473,675
Miscellaneous payables	31	—	—	—	—	5,775,451	5,775,482
Marketable securities issued	170,578	1,673,832	1,233,009	869,086	—	—	3,946,505
Funds borrowed from other financial institutions	1,528,821	3,746,112	6,369,533	2,032,146	617,719	—	14,294,331
Other liabilities and shareholders' equity	319,467	2,780,837	1,750,754	350,692	1,877,374	22,785,253	29,864,377
Total liabilities	49,261,439	22,840,785	12,452,251	4,046,609	2,570,518	40,326,159	131,497,761
Balance sheet long position	—	548,687	13,387,184	16,844,755	11,758,437	—	42,539,063
Balance sheet short position	(23,158,403)	—	—	—	—	(19,380,660)	(42,539,063)
Off-balance sheet long position	4,790,681	13,604,142	—	—	—	—	18,394,823
Off-balance sheet short position	—	—	(1,488,734)	(16,149,146)	(1,356,983)	—	(18,994,863)
Total position	(18,367,722)	14,152,829	11,898,450	695,609	10,401,454	(19,380,660)	(600,040)

	As of 31 December 2011						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey..	—	—	—	—	—	10,081,703	10,081,703
Banks	1,593,147	289,844	268,240	272,225	—	1,005,068	3,428,524
Financial assets at fair value through profit/loss	68,260	74,433	259,683	95,613	17,804	41,037	556,830
Money market placements	2,173,561	—	—	—	—	—	2,173,561
Available-for-sale financial assets	957,834	165,745	2,389,281	1,768,348	2,712,642	17,426	8,011,276
Loans	10,043,452	5,959,171	16,055,788	21,506,848	14,213,791	2,291,864	70,070,914
Held-to-maturity investments	423,296	1,671,715	1,212,450	2,721,385	6,681,776	—	12,710,622
Other assets	696,809	1,599,063	1,068,662	1,457,089	195,030	5,400,048	10,416,701
Total assets	15,956,359	9,759,971	21,254,104	27,821,508	23,821,043	18,837,146	117,450,131
Liabilities							
Bank deposits	665,788	295,368	284,029	43,102	95,463	178,739	1,562,489
Other deposits	37,568,281	13,004,721	2,626,054	556,390	20,032	10,848,583	64,624,061
Funds from money market	3,767,886	2,039,669	1,078,338	—	—	—	6,885,893
Miscellaneous payables	20	—	—	—	—	4,795,480	4,795,500
Marketable securities issued	145,048	2,146,847	956,822	—	—	—	3,248,717
Funds borrowed from other financial institutions	2,029,221	4,652,783	5,954,420	1,462,084	584,394	—	14,682,902
Other liabilities and shareholders' equity	326,274	1,731,901	1,587,816	400,887	135,494	17,468,197	21,650,569
Total liabilities	44,502,518	23,871,289	12,487,479	2,462,463	835,383	33,290,999	117,450,131
Balance sheet long position	—	—	8,766,625	25,359,045	22,985,660	—	57,111,330
Balance sheet short position	(28,546,159)	(14,111,318)	—	—	—	(14,453,853)	(57,111,330)
Off-balance sheet long position	4,590,724	12,445,139	1,162,079	—	—	—	18,197,942
Off-balance sheet short position	—	—	—	(17,481,361)	(658,792)	—	(18,140,153)
Total position	(23,955,435)	(1,666,179)	9,928,704	7,877,684	22,326,868	(14,453,853)	57,789

Liquidity Risk

Liquidity risk arises from mismatches between maturities of assets and liabilities, which may result in the Bank being unable to meet its obligations in a timely manner. The Bank's liquidity risk is managed as part of the asset and liability management strategy in accordance with the Bank's market risk policies. In order to manage this risk, the Bank's funding sources are diversified and the Bank believes that it holds sufficient cash and cash equivalents to fund its liabilities in the event such mismatches occur. During the monthly meetings of the Asset and Liability Management function within the Executive Committee, the liquidity position of the Group is evaluated and measures are implemented if necessary.

The Bank uses the following definitions with respect to the components of liquidity risk:

- (i) Liquidity mismatch risk refers to the risk of non-conformity between the amounts and/or the maturities or cash inflows and cash outflows;
- (ii) Liquidity contingency risk refers to the risk that future unexpected events could require a greater amount of liquidity than the amount estimated necessary by the Bank. This risk could arise as a result

of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis; and

- (iii) Market liquidity risk refers to the risk that the Bank may incur losses as a result of the sale of assets deemed to be liquid, or in extreme conditions is unable to liquidate such positions due to insufficient liquidity offered by the market or keeps the position that is too large when compared to market turnover.

Reports on short-term liquidity positions and structural liquidity positions are prepared by the Bank's risk management department. Short-term liquidity risk management focuses on events that can impact upon the Bank's liquidity position from one day and up to three months. Structural liquidity positions focus on events effecting the Group's long-term liquidity position. The primary objective is to maintain an adequate ratio between total liabilities and medium or long-term assets, with a view of avoiding pressures on short-term sources (both current and future), while optimising the cost of funding.

According to the BRSA Communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. The risk management department performs the calculation of the above-mentioned ratios on a daily basis and shares the results with the Treasury department and the Bank's senior management. Further description of the applicable regulatory requirements is set out in "Turkish Regulatory Environment—Liquidity Reserve Requirements".

A significant portion of the Group's funding base consists of deposits and funds borrowed. As of 30 June 2014, deposits comprised 56.31% of the Bank's total liabilities and, of all deposits, 92.5% had maturities of three months or less. As of 30 June 2014, loans and receivables comprised 64.36% of the Bank's total assets and, of all loans and receivables, 26% had maturities of three months or less. As of 30 June 2014, the Bank's liquidity position had a duration gap (representing the average duration of assets less the average duration of liabilities) of 97 days for Turkish Lira and five days for foreign currency-denominated assets and liabilities. As of the same date, of the Bank's total assets, 50% have a maturity of three months and over.

The following tables set forth the Group's breakdown of financial liabilities according to their remaining contractual maturities as of 31 December 2013, 2012, 2011 in TL thousands:

As of 31 December 2013						
	Demand and up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Above 5 years	Total
	(TL, thousands)					
Liabilities						
Deposits	68,537,766	14,643,476	6,818,324	1,363,732	421,669	91,784,967
Funds borrowed from other financial institutions.....	1,576,953	680,871	10,768,294	4,998,264	1,655,275	19,679,657
Funds from money market	3,096,150	1,567,308	678,563	298,811	—	5,640,832
Subordinated loans	—	75,410	287,226	3,277,800	5,465,517	9,105,953
Marketable securities issued.....	64,493	919,819	2,115,859	4,722,781	1,421,062	9,244,014
Total	73,275,362	17,886,884	20,668,266	14,661,388	8,963,523	135,455,423

As of 31 December 2012						
	Demand and up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Above 5 years	Total
	(TL, thousands)					
Liabilities						
Deposits	54,142,891	13,250,322	3,220,517	1,122,603	83,901	71,820,234
Funds borrowed from other financial institutions.....	1,389,694	673,331	8,081,360	3,734,421	1,316,431	15,195,237
Funds from money market	4,883,739	1,605,242	—	—	—	6,488,981
Subordinated loans	—	42,238	260,669	3,520,688	3,618,241	7,441,836
Marketable securities issued.....	170,578	219,245	1,247,226	2,540,568	112,173	4,289,790
Total	60,586,902	15,790,378	12,809,772	10,918,280	5,130,746	105,236,078

As of 31 December 2011						
	Demand and up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Above 5 years	Total
	(TL, thousands)					
Liabilities						
Deposits	48,631,002	13,429,422	3,674,818	696,942	145,030	66,577,214
Funds borrowed from other financial institutions.....	1,799,739	649,283	9,104,618	3,235,131	827,007	15,615,778
Funds from money market	3,529,197	1,647,208	1,096,668	663,952	—	6,937,025
Subordinated loans	—	28,585	100,180	2,534,617	491,272	3,154,654
Marketable securities issued.....	700	116,212	1,457,768	1,692,192	133,264	3,400,136
Total	53,960,638	15,870,710	15,434,052	8,822,834	1,596,573	95,684,807

The following tables represent the outstanding derivative cash flows of the Group on undiscounted basis by contractual maturity as of 31 December 2013, 2012, 2011 in TL thousands:

As of 31 December 2013						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Total
Derivatives held for trading:						
Foreign exchange derivatives:	403,440	90,528	318,508	(580,365)	—	232,111
Inflow	17,531,762	10,253,258	15,423,001	3,001,496	—	46,209,517
Outflow	(17,128,322)	(10,162,730)	(15,104,493)	(3,581,861)	—	(45,977,406)
Interest rate derivatives:	3,660	1,102	(1,692)	212,848	20,476	236,394
Inflow	71,149	4,739	1,485,237	4,902,707	896,372	7,360,204
Outflow	(67,489)	(3,637)	(1,486,929)	(4,689,859)	(875,896)	(7,123,810)
Derivatives held for hedging:						
Foreign exchange derivatives:						
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:	(24,452)	113,106	144,742	109,545	90,267	433,208
Inflow	20,158	1,448,718	2,538,347	13,644,678	424,882	18,076,783
Outflow	(44,610)	(1,335,612)	(2,393,605)	(13,535,133)	(334,615)	(17,643,575)
Total cash inflow	17,623,069	11,706,715	19,446,585	21,548,881	1,321,254	71,646,504
Total cash outflow	(17,240,421)	(11,501,979)	(18,985,027)	(21,806,853)	(1,210,511)	(70,744,791)

As of 31 December 2012						
	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Total
Derivatives held for trading:						
Foreign exchange derivatives:	(41,042)	(4,474)	114,882	(528,320)	(157,000)	(615,954)
Inflow	12,467,989	4,357,347	6,920,444	1,975,186	—	25,720,966
Outflow	(12,509,031)	(4,361,821)	(6,805,562)	(2,503,506)	(157,000)	(26,336,920)
Interest rate derivatives:	259	(2,256)	39,907	53,997	30,600	122,507
Inflow	23,713	259,367	1,547,445	2,950,139	454,205	5,234,869
Outflow	(23,454)	(261,623)	(1,507,538)	(2,896,142)	(423,605)	(5,112,362)
Derivatives held for hedging:						
Foreign exchange derivatives:						
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:	(41,305)	9,547	(213,752)	(1,463,759)	(158,082)	(1,867,321)
Inflow	21,711	173,776	4,095,250	15,193,430	1,186,341	20,670,508
Outflow	(63,016)	(164,229)	(4,309,002)	(16,657,189)	(1,344,393)	(22,537,829)
Total cash inflow	12,513,413	4,790,490	12,563,139	20,118,755	1,640,546	51,626,343
Total cash outflow	(12,595,501)	(4,787,673)	(12,622,102)	(22,056,837)	(1,924,998)	(53,987,111)

As of 31 December 2011

	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Total
Derivatives held for trading:						
Foreign exchange derivatives:	(125,298)	(95,077)	92,234	(602,951)	(163,310)	(894,402)
Inflow	9,136,901	4,156,536	4,805,995	3,000,351	368,340	21,468,123
Outflow	(9,262,199)	(4,251,613)	(4,713,761)	(3,603,302)	(531,650)	(22,362,525)
Interest rate derivatives:	454	2,010	(1,374)	3,017	887	4,994
Inflow	97,487	5,159	294,006	3,814,968	662,743	4,874,363
Outflow	(97,033)	(3,149)	(295,380)	(3,811,951)	(661,856)	(4,869,369)
Derivatives held for hedging:						
Foreign exchange derivatives:	—	—	—	—	—	—
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:	(33,879)	(7,309)	(170,816)	(571,407)	30,649	(752,762)
Inflow	17,528	263,013	1,481,977	18,229,258	495,315	20,487,091
Outflow	(51,407)	(270,322)	(1,652,793)	(18,800,665)	(464,666)	(21,239,853)
Total cash inflow	9,251,916	4,424,708	6,581,978	25,044,577	1,526,398	46,829,577
Total cash outflow	(9,410,639)	(4,525,084)	(6,661,934)	(26,215,918)	(1,658,172)	(48,471,747)

Operational Risk Management

Operational risk is related to losses which arise as a result of inadequate or ineffective internal processes, personnel or systems or due to external events. The operational risk management team monitors the Bank's operational risk exposure in accordance with the Bank's standards and policies, collects operational risk data in a web-based database, identifies risk indicators, conducts scenario analysis assessment, plans for business continuity management and assures the quality of data gathered in accordance with Basel II standards, proposes insurance hedging on operational risks, prepares risk mitigation plans and coordinates IT risk management activities. The operational risk management department performs second level controls, manages and measures the Bank's operational risks.

The Bank's objective is to implement the advanced measurement approaches of Basel II and related measurement systems in operational risk management. As part of the Basel II operational risk project, the Bank has been collecting data on internal operational risk since 2004. Data on internal losses are collected from various departments and branches using web-based systems. Scenario analysis studies for measuring and managing the impacts of unrealised potential operational risk have been performed since 2008. Key risk indicator analyses have been performed to monitor current and potential operational risk exposure of the Bank since 2007. A dedicated database was established for monitoring the trends of key risk indicators. Moreover, a risk based insurance management approach was used to seek to minimise main operational risks that the Bank is exposed to. These actions have resulted in minimising internet fraud, enhancing the effectiveness of the risk transfer mechanism and helped senior management to better understand and monitor the main risk factors associated with banking activities. Additionally, potential risk evaluations were made before launching new products and services and the findings were shared with related departments so that necessary measures could be taken. Besides, both for IT and logistics purposes, the business continuity management activities and investments were accomplished and necessary tests were performed.

For regulatory and statutory capital adequacy ratio purposes, the Group calculated the amount subject to operational risk on a consolidated basis with the basic indicator method in accordance with Section 4 of "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published by the Official Gazette No. 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2013, 2012 and 2011. As of 30 June 2014, the total amount subject to operational risk was calculated as TL 11,505,425 thousand, compared to TL 11,382,718 thousand as of 31 December 2013 and TL 10,677,893 thousand as of 31 December 2012. As of 30 June 2014, the amount of the related capital requirement was TL 920,434 thousand, compared to TL 910,617 thousand as of 31 December 2013 and TL 854,231 thousand as of 31 December 2012.

Capital Management

Banks in Turkey are required to comply with capital adequacy guidelines published by the BRSA. These capital adequacy guidelines are based on standards established by BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated based on the aggregate of its Tier 1 capital (which includes paid in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)), its Tier 2 capital (which includes general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier 3 capital (which includes certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which include participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalised costs), and by dividing the result by risk-weighted assets, which reflect both credit risk and market risk. In accordance with the guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%. By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) revise the risk weighting of assets that are based upon participation accounts. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The Bank and its individually-regulated operations were in compliance with all the above mentioned capital adequacy requirements as at 30 June 2014.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 30 June 2014 in TL thousands unless otherwise stated:

	As of 30 June 2014
Common Equity Tier 1 Capital	
Paid in Capital to be entitled for compensation after all Creditors	4,347,051
Share Premium	543,881
Share Cancellation Profits	—
Legal Reserves	10,895,676
Other Comprehensive Income according to TAS	1,572,482
Profit	2,313,221
Net Current period profit	929,260
Prior period profit	1,383,961
Provisions for possible losses	224,075
Bonus shares from Associates, Subsidiaries and Joint Ventures not accounted in Current Period's Profit	4,503
Minority Shares	2,624
	19,903,513
Common Equity Tier 1 capital before regulatory adjustments	
Common Equity Tier 1 capital: regulatory adjustments	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-) ...	—
Leasehold improvements on operational leases (-)	89,764
Goodwill and intangible assets and related deferred tax liabilities (-)	274,099
Net deferred tax assets / liabilities (-)	—
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	—
Investments in own common equity (-)	—
Total of net long positions of the investments in equity items of consolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital	—
Total of net long positions of the investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	—
Mortgage servicing rights (amount above 10% threshold) (-)	—
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	—
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	—
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	—
Mortgage servicing rights (amount above 10% threshold) (-)	—
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	—
Other items to be defined by the regulator (-)	—
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	452,998
Total regulatory adjustments to Common equity Tier 1	816,861
Common Equity Tier 1 capital	19,086,652
Additional Tier 1 capital: instruments	
Privileged stocks which are not included in common equity and share premiums	—
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	—
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	—
Minority shares	—
Additional Tier 1 capital before regulatory adjustments	—
Additional Tier 1 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	—
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	—
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	—
Other items to be Defined by the regulator (-)	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover	—
deductions (-)	—
Total regulatory adjustments to Additional Tier 1 capital	—
Additional Tier 1 capital	—
Regulatory adjustments to Common Equity	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	1,096,395
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the	—

	As of 30 June 2014
Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-).....	17,990,257
Tier 1 capital	17,990,257
Tier 2 capital	
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014).....	—
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014).....	4,750,983
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders.....	—
Generic Provisions	1,647,386
Minority shares.....	—
Tier 2 capital before regulatory adjustments	6,398,369
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-).....	—
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	—
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued	—
Share Capital Exceeding the 10% Threshold of Tier I Capital (-).....	—
Other items to be Defined by the regulator (-)	—
Total regulatory adjustments to Tier 2 capital	6,398,369
Tier 2 capital	24,388,626
Total capital	24,388,626
Loans Granted against the Articles 50 and 51 of the Banking Law (-).....	21,123
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	6,581
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-).....	176,336
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	—
Other items to be Defined by the regulator (-)	124,417
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-).....	—
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-).....	—
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	—
Own Fund	24,060,169
Amounts below the thresholds for deduction	897,702
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	—
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	—
Remaining mortgage servicing rights	—
Net deferred tax assets arising from temporary differences.....	897,702
Total shareholders' equity	24,060,169
Capital Requirement for Credit Risk (CRCR).....	148,112,88
Capital requirement for market risk (ii) (MRCR)	2,913,475
Capital requirement for operational risk (iii) (ORCR)	11,505,425
Total risk weighted assets	162,531,788
Capital adequacy ratio (%)	14.80

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2013 in TL thousands unless otherwise stated:

	As of 31 December 2013
Core capital	
Paid in capital	4,347,051
Nominal capital	4,347,051
Capital commitments (-)	—
Adjustment to paid in capital	—
Share premium	543,881
Share repeal	—
Legal reserves	8,976,351
Adjustment to legal reserves	—
Profit	4,586,936
Net Current period profit	3,658,952
Prior period profit	927,984
Provisions for possible losses up to 25% of core capital	209,470
Profit on sale of associates, subsidiaries and buildings	298,614
Primary subordinated loans	—
Minority shares	2,527
Loss that is not covered with reserves (-)	—
Net current period loss	—
Prior period loss	—
Development cost of operating lease (-)	101,133
Intangible assets (-)	1,393,590
Deferred-assets for tax which exceeds 10% of core capital (-)	—
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	—
Goodwill (Net)	—
Total core capital	17,470,107
Supplementary capital	
General provisions	1,520,873
45% of increase in revaluation fund of movables	—
45% of increase in revaluation fund of fixed assets	—
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	4,503
Primary Subordinated Debts excluding the portion included in Core Capital	—
Secondary subordinated loans	5,078,223
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(172,325)
Adjustment to paid in capital, profit reserves and previous years losses (except adjustment to legal reserves)	—
Minority share	—
Total supplementary capital	6,431,274
Capital	23,901,381
Deductions from the capital	759,414
Partnership share on non-consolidated banks and financial institutions	—
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	162,443
Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated	457,337
Loans extended being noncompliant with articles 50 and 51 of the Law	3,221
Net book value of properties owned, exceeding 50% bank's equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	6,638
Securitisations positions that is deducted preferably from the shareholders' equity	—
Other	129,775
Total shareholders' equity	23,141,967
Capital Requirement for Credit Risk (CRCR)	135,808,675
Capital requirement for market risk (ii) (MRCR)	3,886,150
Capital requirement for operational risk (iii) (ORCR)	11,382,713
Total risk weighted assets	151,077,538
Capital adequacy ratio (%)	15.32

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2012 in TL thousands unless otherwise stated:

	As of 31 December 2012
Core capital	
Paid in capital	4,347,051
Nominal capital	4,347,051
Capital commitments (-)	—
Adjustment to paid in capital	—
Share premium	543,881
Share repeal	—
Legal reserves	7,118,712
Adjustment to legal reserves	—
Profit	2,841,517
Net Current period profit	2,087,673
Prior period profit	753,844
Provisions for possible losses up to 25% of core capital	246,317
Profit on sale of associates, subsidiaries and buildings (1)	293,705
Primary subordinated loans	—
Minority shares	64,792
Loss that is not covered with reserves (-)	—
Net current period loss	—
Prior period loss	—
Development cost of operating lease (-)	96,067
Intangible assets (-)	1,361,391
Deferred-assets for tax which exceeds 10% of core capital (-)	—
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	—
Goodwill (Net)	—
Total core capital	13,998,517
Supplementary capital	
General provisions	1,339,681
45% of increase in revaluation fund of movables	—
45% of increase in revaluation fund of fixed assets	—
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	—
Primary Subordinated Debts excluding the portion included in Core Capital	—
Secondary subordinated loans	4,004,900
45% of value increase fund of financial assets available for sale and associates and subsidiaries	669,340
Adjustment to paid in capital, profit reserves and previous years losses (except adjustment to legal reserves)	—
Minority share	—
Total supplementary capital	6,013,921
Capital	20,012,438
Deductions from the capital	412,372
Partnership share on non-consolidated banks and financial institutions	—
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	—
Banks and financial institutions to which equity method is applied, however, assets and liabilities are not consolidated	212,393
Loans extended being noncompliant with articles 50 and 51 of the Law	3,190
Net book value of properties owned, exceeding 50% bank's equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	6,844
Securitisations positions that is deducted preferably from the shareholders' equity	—
Other	189,945
Total shareholders' equity	19,600,066
Capital Requirement for Credit Risk (ASCR)	107,990,738
Capital requirement for market risk (ASMR)	1,681,913
Capital requirement for operational risk (ASOR)	9,336,250
Total risk weighted assets	119,008,901
Capital adequacy ratio (%)	16.30

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2011 in TL thousands unless otherwise stated:

	As of 31 December 2011
Core capital	
Paid in capital	4,347,051
Nominal capital	4,347,051
Capital commitments (-)	—
Inflation adjustment to share capital	—
Share premium	543,881
Share cancellation profits	—
Legal reserves	266,973
First legal reserve (Turkish Commercial Code 466/1)	266,973
Second legal reserve (Turkish Commercial Code 466/2)	—
Other legal reserve per special legislation	—
Status reserves	—
Extraordinary reserves	4,930,128
Reserves allocated by the General Assembly	4,930,128
Retained earnings	—
Accumulated loss	—
Foreign currency share capital exchange difference	—
Inflation adjustment of legal reserves, status reserves, extraordinary reserves	—
Profit	2,623,562
Current period profit (net)	2,284,704
Prior period profit	338,858
Provisions for possible risks (up to 25% of core capital)	151,960
Profit on disposal of associates, subsidiaries and immovable	146,641
Primary subordinated loans (up to 15% of core capital)	—
Minority interests	67,178
Portion of loss not covered with reserves (-)	—
Current period loss (net)	—
Prior period loss	—
Leasehold improvements (-)	94,353
Prepaid expenses (-)	—
Intangible assets (-)	1,284,165
Deferred tax asset amount exceeding 10% of core capital (-)	—
Amount exceeding limits as per the third clause of the article 56 of the Law (-)	—
Total core capital	11,698,856
Supplementary capital	
General provisions	1,052,268
45% of the movables revaluation fund	—
45% of the immovables revaluation fund	—
Bonus shares of investment in associates, subsidiaries and joint ventures	—
Primary Subordinated Loans that are not considered in the calculation of core capital	—
Secondary Subordinated Loans	2,916,370
45% of Marketable Securities valuation differences	59,006
Investments in associates and subsidiaries	80,468
Available for Sale financial assets	(21,462)
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	—
Total supplementary capital	4,027,644
Tier III capital	
Capital	15,726,500
Deductions from the capital	333,464
Investments in Unconsolidated Financial Institutions and Banks	4,503
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Nature Purchased From Them	—
Investments in Financial Institutions (Domestic, Foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	203,590
Loans extended as contradictory to the articles 50 and 51 of the Law	—
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and are to be Disposed According to Banking Law article 57 as They have been Held for More Than Five Years From the Acquisition Date	8,900
Other	116,471
Total shareholders' equity	15,393,036

Amount subject to credit risk (ASCR).....	115,586,638
Amount subject to market risk (ASMR).....	2,753,475
Amount subject to operational risk (ASOR)	10,677,888
Total risk weighted assets	129,018,001
Capital adequacy ratio (%)	15.19

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the quoted market price, if available.

The estimated fair value of financial instruments has been determined by the Group with the use of available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data in order to develop the estimated fair value. Accordingly, the estimated fair value presented in this Base Prospectus is not necessarily indicative of the amount the Group could realise in a current market exchange transaction.

The table below indicates the carrying and estimated fair value of the financial assets and liabilities, which are not presented on the Group's balance sheet at their estimated fair value.

	As of 31 December					
	2013		2012		2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(TL, thousands)					
Financial assets:						
Due from money markets	2,928,447	2,928,447	2,773,236	2,773,236	2,173,561	2,173,561
Banks	4,009,126	4,017,743	5,342,497	5,366,421	3,428,524	3,445,199
Available-for-sale financial assets ..	13,209,362	13,209,362	15,650,448	15,650,448	8,011,276	8,011,276
Held-to-maturity investments.....	6,889,603	6,888,193	5,827,694	6,192,442	12,710,622	12,975,342
Loans	100,623,930	102,042,748	78,788,847	80,144,935	70,070,914	72,056,739
Financial liabilities:						
Bank deposits.....	2,928,447	2,378,151	1,449,283	1,546,848	1,562,489	1,565,177
Other deposits.....	4,017,743	86,180,373	69,694,108	69,694,108	64,624,061	64,624,061
Funds borrowed from other financial institutions.....	13,209,362	19,307,177	14,294,331	14,377,989	14,682,902	14,623,791
Subordinated loans	6,888,193	6,556,485	5,195,642	6,166,951	2,523,816	2,523,816
Marketable securities issued.....	102,042,748	8,456,418	3,946,505	3,976,650	3,248,717	3,248,717
Miscellaneous payables.....	2,928,447	7,268,299	5,775,482	5,775,482	4,795,500	4,795,500

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Banks, Bank deposits and Funds borrowed from other financial institutions

The fair values of banks, bank deposits and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

Held-to-maturity assets

The fair value of held-to-maturity assets is determined based on market prices or, when these prices are unavailable, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

Loans

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches the fair value.

Available-for-sale financial assets

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available-for-sale equity securities which are not quoted in a market, and the fair values of which cannot be determined reliably, are carried at cost less any impairment.

Assets and liabilities measured at fair value

The following table presents assets and liabilities at fair value as of 31 December 2013 in TL thousands.

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	125,857	1,597,307	—	1,723,164
Government debt securities.....	54,967	—	—	54,967
Share certificates	20,719	—	—	20,719
Trading derivative financial assets.....	—	1,596,112	—	1,596,112
Other marketable securities.....	50,171	1,195	—	51,366
Available—for—sale financial assets	11,389,340	1,813,832	—	13,203,172
Government debt securities.....	11,278,626	—	—	11,278,626
Other marketable securities.....	110,714	1,813,832	—	1,924,546
Hedging derivative financial assets	—	467,627	—	467,627
Total assets	11,515,197	3,878,766	—	15,393,963
Trading derivative financial liabilities.....	—	863,633	—	863,633
Hedging derivative financial liabilities.....	—	386,395	—	386,395
Total liabilities	—	1,250,028	—	1,250,028

Risk Committees

Within the Bank, risk management is performed by the Asset and Liability Management function within the Executive Committee and the Credit Committee.

The Credit Committee is responsible for: (i) determining lending guidelines in line with the credit policy, economic objectives and the overall risk profile of the credit portfolio of the Bank, (ii) granting loans within certain set limits or advising the Board with respect to granting loans exceeding such limits, (iii) defining restructuring terms for overdue loans within certain set limits or advising the Board on the same with respect to loans exceeding such limits, and (iv) performing other functions assigned to it by the Board. The Credit Committee consists of five principal members: the CEO, the Deputy CEO and three members of the Board. The Risk Management Assistant General Manager attends the meetings by invitation. The Credit Committee meets on a weekly basis.

The decisions of the Credit Committee become immediately effective in the case of a unanimous vote. Otherwise, decisions of the Credit Committee require a majority approval from the Board.

The Asset and Liability Management function within the Executive Committee is responsible for: (a) determining the Bank's structural risk management guidelines and policies, (b) defining risk profile management strategies, and ensuring their compliance with the Board's guidelines in terms of risk appetite, (c) optimising the level of risk that the Bank is exposed to within the guidelines set by the Board, (d) defining risk limits, (e) defining operational principles of risk management and approval of risk measurement and control models, and (f) maintaining an overview of credit, market and operational risks. The decisions of the Asset and Liability Management function within the Executive Committee are made by unanimous vote of its permanent members. Such permanent members include the CEO, the Deputy CEO, the CFO, the Treasury Department Assistant General Manager and the Risk Management Assistant General Manager. In addition, heads of other business units as members of the Executive Committee also regularly attend meetings of the Asset and Liability Management function within the Executive Committee, including the Corporate and Commercial Banking Assistant General Manager, the Retail Banking Assistant General Manager, and the Private Banking and Wealth Management Assistant General Manager. The Asset and Liability Management function within the Executive Committee usually meets on a weekly basis but in any case not less frequently than once a month.

MANAGEMENT

The Bank is managed by its Board of Directors, its General Manager and its senior management.

Board of Directors

Pursuant to the Bank's articles of association, the Board is responsible for the Bank's management. The Bank's articles of association stipulate that the Board should consist of a minimum of eight members elected by the General Assembly, with the General Manager holding a board seat, as required by the Banking Law. The Board is currently composed of 12 directors. Each director is appointed for a maximum term of three years. The business address of each of the directors is Yapı Kredi Plaza D Blok, Levent 34330, Istanbul, Turkey.

The following table sets forth certain information regarding each member of the Board as of the date of this Base Prospectus.

Name	Position
Mustafa V Koç	Chairman
Gianni F G Papa	Vice Chairman (Independent)
H. Faik Açikalin	Chief Executive Officer
Carlo Vivaldi	Executive Director and Deputy CEO
Fatma Fusun Akkal Bozok	Member (Independent)
Ahmet Fadil Ashaboğlu	Member
Osman Turgay Durak	Member
Dr. Jürgen Kullnigg	Member
Francesco Giordano	Member (Independent)
Laura Stefania Penna	Member
Benedetta Navarra	Member (Independent)
Adil G. Öztoprak	Member (Independent)

Mr. Mustafa V Koç, Chairman of the Board of Directors

Mustafa V. Koç graduated with a B.A. degree in Business Administration from George Washington University in 1984, after which he joined Koç Group in Tofaş. In 1992, he moved to Koç Holding, where he served as Vice President and President of various business groups. He became a member of the Board of Directors in 2001 and became Vice Chairman in 2002. He was appointed as Chairman of Koç Holding Board of Directors on 4 April 2003. Mr. Koç is a member of the Rolls Royce International Advisory Board, the JP Morgan International Council, and the Global Advisory Board of the Council on Foreign Affairs. He is also a member of the Steering Committee of the Bilderberg Meetings and Honorary Consul General of Finland in Istanbul. Mr. Koç was awarded the Cavaliere d'Industria medal by the Government of Italy in 2005 and the International Leonardo Prize, known as the "Oscar of Business", in 2012. He is Honorary Chairman of the Turkish Industrialists and Businessmen's High Advisory Council. Mr. Koç is also a member of the Board of his family's philanthropic foundation, the Vehbi Koç Foundation; he is strongly committed to its work in the cultural, educational and medical fields in Turkey, and its excellence has been recognised internationally by, among others, the World Monuments Fund, the Carnegie Foundation, and BNP Paribas. Since August 2011, Mustafa V. Koç has been serving as Chairman of the Board of Directors at Yapı Kredi and Koç Financial Services.

*Mr. Gianni F G Papa, Vice Chairman of the Board of Directors (Independent)**

After receiving his degree in Law from Università Cattolica del Sacro Cuore, in Italy, Gianni Franco Giacomo Papa served in numerous positions at the International division of Credito Italiano Milano, starting from the year 1979. Mr. Papa, who served at the same bank as Manager between 1986 and 1987, worked at the Hong Kong office of Credito Italiano as the Assistant General Manager in charge of the establishment of the branch of Credito Italiano, and then as Head of Corporate Finance, Capital Markets and Treasury throughout the period from 1988 to 1993. Mr. Papa served at the Segrate branch of Credito Italiano as the Deputy General Manager between 1993 and 1997, and was the Assistant General Manager in charge of Corporate Investors and Private Banks Department under the Financial Division of the Group thereafter. He was appointed as Deputy General Manager of UniCredit's Singapore Branch in 1998 and served there until 1999. Thereafter, he served as the General Manager of the Singapore branch and as the Director of Unicredit Asia (except

China) until the year 2002. Mr. Papa held the offices of General Manager of the New York Branch of UniCredit and UniCredit's Director in charge of the USA operations between 2003 and 2005. He was then appointed as General Manager and Chief Operating Officer of UniCredit Slovakia between 2005 and 2007. Mr. Papa subsequently served as the Vice Chairman of the Board of Directors and the General Manager of UniCredit Slovakia until 2008 and then worked at the office of the Chairman of the Supervisory Board of UniCredit Leasing until the beginning of 2009. He was appointed to serve as the First Deputy Chairman of the Board and the General Manager at PJSC Ukrosotsbank between 2008 and 2010 and later worked as the Executive Vice President and the Head of the Central and Eastern European Corporate and Investment Banking at UniCredit Bank Austria AG between November 2010 and December 2010. Mr. Papa is currently Senior Executive Vice President of the UniCredit Group in charge of Central and Eastern Europe Division and also Deputy Chairman of the Management Board of UniCredit Bank Austria AG; he was appointed as the Vice Chairman of the Board of Directors of Yapı Kredi in April 2011. He also serves as Vice Chairman of the Board of Directors of Koç Financial Services.

Mr. Faik Açıkalin, Chief Executive Officer

After earning a BS degree in Business Administration from Middle East Technical University, Faik Açıkalin began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions including internal auditor, relationship manager, branch manager and marketing manager at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank. In May 1998, he joined Dışbank as Executive Vice President. Later that year, he was appointed Chief Operating Officer responsible for the coordination and communication between the Board of Directors and business units. He also assumed a position as a member of the Credit Committee. In June 1999, Mr. Açıkalin was appointed as Deputy CEO and member of the Board of Directors. In December 2000, he became CEO of Dışbank. Following the acquisition of the majority shares of Dışbank by Fortis in July 2005, he continued to serve as CEO of the bank when it was renamed Fortisbank and was appointed member of the Fortis Global Management Committee and Fortis Global Retail Management Team. In October 2007, he resigned from his duties at Fortisbank and became CEO at Turkey's largest newsprint media holding company, Doğan Gazetecilik. In April 2009, Mr. Açıkalin was appointed as Executive Director of Yapı Kredi's Board of Directors and was also appointed as Chairman of the Executive Committee. Serving as Yapı Kredi's CEO since May 2009, he was also appointed as CEO of Koç Financial Services in 2010, a role he undertakes in addition to his role at Yapı Kredi. As of August 2011, Mr. Açıkalin became the President of Koç Holding's Banking and Insurance Group. At the same time he serves as Chairman of Yapı Kredi Asset Management, Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow, Yapı Kredi Koray Real Estate Investment Trust, Koç Tüketici Finansmanı, as Vice Chairman of Banque de Commerce et de Placements S.A. and Allianz Yaşam ve Emeklilik and as Director of the Banks Association of Turkey.

Mr. Carlo Vivaldi, Executive Director and Deputy CEO

After graduating from the University of Ca' Foscari, Venice, Department of Business Administration, Carlo Vivaldi started his career in 1991 as teller in Cassamarca, one of the four banks which merged into UniCredit in 1998. Following this merger, he moved to Group's Planning and Control and then after a brief experience in contributing to the development of Group's internet strategy, in 2000 he moved under the newly established New Europe Division responsible for Planning and Control, contributing to the expansion of UniCredit in the region. At the end of 2002, he moved to Turkey and held the position of Chief Financial Officer and Executive Vice President at Koç Financial Services and Yapı Kredi in addition to memberships of the Board of Directors at certain Group subsidiaries until September 2007. At that time he actively contributed to the largest merger in Turkish banking history between Koçbank and the newly acquired Yapı Kredi Bank. In October 2007, he was appointed as member of the Management Board and Chief Financial Officer at UniCredit Bank Austria AG (covering Austria and the CEE countries of UniCredit) and began serving in several other Supervisory Boards in CEE subsidiaries of the UniCredit Group (UniCredit Bank Czech Republic A.S. and Unicredit Bank Slovakia as Chairman, Zagrebacka Banka D.D., UniCredit Tiriac Bank S.A., JSC ATF Bank Kazakhstan, and UGIS). Since May 2009, Mr. Vivaldi has been a member of the Board of Directors at Yapı Kredi. As of January 2011, he has been appointed as UniCredit representative for Turkey in the position of Executive Director and Deputy CEO in Yapı Kredi. Vivaldi also serves as Executive Director and Deputy CEO of Koç Financial Services and Vice Chairman in all Yapı Kredi subsidiaries (Asset Management, Invest, Leasing, Factoring, Yapı Kredi Bank Nederland, Yapı Kredi Bank Azerbaijan, Yapı

Kredi Bank Moscow and Yapı Kredi Cultural Activities, Arts and Publishing). He is also a member of Board of Directors of Yapı Kredi Koray Real Estate Investment Trust and Allianz Yaşam ve Emeklilik.

*Ms. Fatma Füsün Akkal Bozok, Member of the Board of Directors (Independent)**

Fatma Füsün Akkal Bozok completed her academic studies with an MBA from Boğaziçi University in Faculty of Administrative Sciences and a Ph.D. from Istanbul University in the Faculty of Administration. She began her career at Arthur Andersen Audit Company in 1980. Ms. Bozok joined Koç Group in 1983 as an Associate and Coordinating Assistant in the Audit and Financial Group Division. In 1992, she was appointed as Audit and Financial Group Coordinator, a position which she held for 11 years. Between 2003 and 2006, she worked as the Finance Group Director. In September 2005, she became a member of the Board of Directors of Yapı Kredi. In addition to being a member of the Board of Directors of Koç Financial Services, she is also an Assistant Professor at Sabancı University.

Mr. Ahmet Fadil Ashaboğlu, Member of the Board of Directors

Ahmet F. Ashaboğlu graduated from Tufts University and earned a master's degree from Massachusetts Institute of Technology ("MIT") in Mechanical Engineering. In 1994, he began his career as a Research Assistant at MIT, subsequently held various positions at UBS Warburg between 1996-1999 and later worked as Engagement Manager at McKinsey & Company, New York, between 1999-2003. He joined Koç Holding as Finance Group Coordinator in 2003. He has been serving as the CFO at Koç Holding since 2006. Mr. Ashaboğlu has been a member of the Board of Directors of Yapı Kredi since September 2005. He is also a member of the Board of Directors of Koç Financial Services and Yapı Kredi Koray Real Estate Investment Trust.

Mr. Osman Turgay Durak, Member of the Board of Directors

Osman Turgay Durak completed his undergraduate and graduate degrees, in Mechanical Engineering, at Northwestern University. He joined Koç Group in 1976 at Ford Otomotiv as Design Engineer for product development, and he was appointed Assistant General Manager in 1986. He became Deputy General Manager of Ford Otomotiv in 2000 and General Manager of Ford Otosan in 2002. He served as the President of Automotive Group at Koç Holding between 2007 and 2009. Mr. Durak was appointed Koç Holding's Deputy CEO in May 2009 and became CEO and Board member in April 2010. He was Chairman of the Board of Directors of Automotive Manufacturers' Association between 2004 and 2010. He served as a member of the Istanbul Chamber of Industry's Council for 2.5 years and as a Board member for one year. Mr. Durak has been a member of the National Committee of International Chamber of Commerce since February 2014. Since April 2009, he has been a member of the Board of Directors of Yapı Kredi. He is also a member of the Board of Directors of Koç Financial Services.

*Mr. Francesco Giordano, Member of the Board of Directors (Independent)**

Francesco Giordano, who received his Bachelor's degree and Master's in Economics from the Universities of Genova and Warwick (UK), served as a European Economist at Standard & Poor's and at the London Branch of San Paolo Bank until 1997; he started to work as the Senior European Economist at Credit Suisse First Boston in 1997. Mr. Giordano was appointed as Chief Economist/ Research Officer at UniCredit Banca Mobiliare in 2000. Subsequently, he served as the Head of Planning, Strategy and Research Department of the Group between the years 2005 and 2009 and was appointed to the office of the Head of Planning, Strategy and Research Department at Corporate and Investment Banking Division of UniCredit in 2009. He was appointed in 2011 as a member of the Management Board and as the CFO of UniCredit Bank Austria AG. Since April 2011, he has been a member of the Board of Directors of Yapı Kredi. Mr. Giordano is also a member of the Board of Directors of Koç Financial Services.

Ms. Laura Stefania Penna, Member of the Board of Directors

After graduating from the Università Commerciale L. Bocconi (Milan) in 1989 with an Economics degree (final grade of 110/110), Ms. Penna started her career in the strategic consulting industry working for Accenture, where she remained for nine years as Senior Engagement Manager for Financial Strategic Services. In 1999, she began to work at Rolo Banca (currently Unicredit Banca) as the Head of Planning and Control. In 2001, she became the Head of Group Planning and Control at Group Level. In 2005, Ms. Penna served as Head of Financial Controlling of the integration between Unicredit and HVB, where she was in

charge of managing integration synergies, benefit and cost. In September 2006, she became the Head of Strategic Business Development in the Leasing Area. In 2007, she founded “UniCredit Management Consultancy Unit”, a highly specialised unit aiming at providing in-house high level strategic advisory and aiming to create a centre of excellence for talent management. Ms. Penna has been an Executive Vice President and has been a member of the Board of Directors and member of Internal Control & Risks Committee of Unicredit Business Integrated Solutions since December 2011. Since March 2012, she has been a member of the Board of Directors of Yapı Kredi and Koç Financial Services. In April 2012, she became a member of the Board of Directors of Fineco Bank and since June 2012 she has been a member of the Supervisory Board and member of the Audit Committee of Bank Pekao.

Dr. Jürgen Kullnigg, Member of the Board of Directors

After graduating from the University of Salzburg Law School, Dr. Jürgen Kullnigg completed the International Trade Program at Vienna Business School. In 1985, he started his career as a marketing assistant at the Austrian Trade Commission in Munich and later became Deputy Trade Commissioner at the Austrian Trade Commission in Houston where he served from 1986 and 1989. Dr. Kullnigg served as Vice President at Girocredit AG Vienna, Los Angeles, New York and Prague from 1989 until 1995 and as Vice President of Trade Finance at Creditanstalt AG from 1995 to 1997. In 1997, he began to work for Bank Austria Creditanstalt as Head of Structured Trade and Project Finance in London. Dr. Kullnigg moved on to become Head of Credit Department at Bank Austria AG in the year 2000. After one year, he was appointed as Head of Strategic Risk Management and served until 2006. From 2006 to 2010, he served as Head of Group Credit Operations as well as Group Divisional Risk Officer Corporate at UniCredit S.p.A in Milan. In 2010, he was appointed Head of Credit Operations at UniCredit S.p.A Milan until November of 2012 when he became Chief Risk Officer at UniCredit Bank Austria AG. Dr. Kullnigg has been a member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013.

Ms. Benedetta Navarra, Member of the Board of Directors (Independent)

Benedetta Navarra graduated from Luiss Guido Carli University with honours in Economics in 1990 and received her Ph.D in Law in 1994 with honours from the La Sapienza University in Rome. Ms. Navarra taught banking and stock exchange law at Luiss Guido Carli University until 2010. In addition, she is a member of the doctorate business law program committee under the Business School. Ms. Navarra has several published books on banking law and financial law. Since 2003, she has been senior partner at Graziadei Law Firm. Ms. Navarra was appointed member of the Board of Directors at AS Roma S.p.A in October 2011, member of the Board of Directors at Statutory Auditors Equitalia S.p.A. in March 2012 and member of the Board of Directors at Statutory Auditors Poste Italiane S.p.A. in July 2013. She has been a member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013.

Mr. Adil Giray Öztoprak, Member of the Board of Directors (Independent)

After graduating from Ankara University, Faculty of Political Science, Finance and Economics, Adil G. Öztoprak served at the Ministry of Finance as Auditor from 1966 to 1975. In 1975, Mr. Öztoprak was appointed Assistant General Manager of the Budget and Fiscal Control Department. Since 1976, he has been a Financial Coordinator and Chief Executive Officer at many companies. Between 1993 and 2000, Mr. Öztoprak was Partner at PricewaterhouseCoopers. As a Certified Public Accountant, he served as a statutory auditor between 2005 and 2011 at Yapı Kredi Bank, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Currently, Mr. Öztoprak serves as an Independent member of the Board of Directors for Yapı Kredi Koray Real Estate Investment Trust and he has been a member of the Board of Directors of Yapı Kredi and Koç Financial Services since April 2013.

** Gianni F.G. Papa, Chairman of the Audit Committee, and F. Füsun Akkal Bozok and Francesco Giordano, Members of the Audit Committee, are deemed as Independent Board Members as per Item 6(3)a of the Communiqué Serial II-17.1 of CMB on Corporate Governance.*

Senior Management

The current members of the Bank's senior management and their areas of responsibility are as follows:

Name	Position	Responsibility
Faik Açıkalin	BOD Member/CEO	General Manager
Carlo Vivaldi	BOD Member/Deputy CEO	Deputy General Manager
Marco Iannaccone	Executive Vice President	Financial Planning and Administration Management (Chief Financial Officer)
Wolfgang Schilk	Executive Vice President	Risk Management Chief Risk Officer
Akif Cahit Erdogan	Executive Vice President	Information Technologies and Operation Management
Yakup Dogan	Executive Vice President	Alternative Distribution Channels
Mehmet Murat Ermer	Executive Vice President	Corporate Communication Management
Feza Tan	Executive Vice President	Corporate and Commercial Banking Management
Stileyman Cihangir Kavuncu	Executive Vice President	Human Resources and Organization Management
Mert Yazicioğlu	Executive Vice President	Private Banking and Asset Management
Mehmet Erkan Özdemir	Executive Vice President	Compliance and Internal Control/Consumer Relations
Stefano Perazzini	Executive Vice President	Coordination Officer
Cemal Aybars Sanal	Executive Vice President	Internal Audit/Chief Audit Executive
Zeynep Nazan Somer Ozelgin	Executive Vice President	Legal Activities Management
Nurgün Eyüboğlu	Executive Vice President	Retail Banking Management
Mehmet Gökmen Uçar	Executive Vice President	Corporate and Commercial Credit Management
Mert Oncü	Executive Vice President	Retail Credits Management
Cengiz Arslan	Executive Vice President	Treasury Management
	Chief Information Officer	Information Systems

Set forth below is brief biographical information regarding Yapı Kredi's current senior management (other than those who are members of the Board, whose biographical information is set out above):

Mr. Marco Iannaccone

Mr. Iannaccone, 44, graduated from Università degli Studi di Venezia, Business Administration and completed his MBA degree at Clemson University in 2003 where he was also a graduate assistant in 1994. He started his career in 1995 in 3B S.p.A as International Sales Manager Assistant. Between 1995 and 1997, he worked at KPMG S.p.A as Consultant. In 1997, he started to work at Andersen Consulting S.p.A. as Senior Consultant and then he was appointed to Deutsche Bank S.p.A. as Research and Strategic Planning Director in 1999. He continued his career at Deutsche Bank S.p.A. between 1999 and 2002 and worked in several departments, lastly he worked as Head of Private & Business Banking Commercial Planning. In 2002, he moved to Unicredito Italiano and held a number of managerial positions in the Group, including M&A and Business Development, Private Banking, Planning and Control until 2008. In 2008, Mr. Iannaccone assumed the position of CFO and Vice President of the Management Board at Bank Pekao SA in Poland. He has been CFO and member of the Executive Committee at Yapı Kredi since May 2013.

Mr. Wolfgang Schilk

Mr. Wolfgang Schilk, 47, following his graduation from University of Wien Law School, completed a postgraduate trainee program at Creditanstalt-Bankverein ("CA-BV") in 1992. Between 1994 and 1996, he served as a Restructuring Manager responsible for Corporate Banking at CA-BV. From 1996 until 2004, Mr. Schilk worked as Head of the Credit Unit at Bank Austria Creditanstalt. Later in 2004, he became the Head of the Regional Office responsible for Corporate Banking. In 2006, he took a position as the Head of the Regional Office responsible for Private and SME Clients. Between 2007 and 2010, Mr. Schilk worked as the Head of Risk Management responsible for private, SME Clients and Private Banking. During his career, he was also a member of the Supervisory Board of Leasfinanz Bank (a subsidiary of UniCredit Leasing) and BAF (a subsidiary of Bank Austria for Mobile Sales Channel), as well as member of the Advisory Council of IRG Immobilien Rating GMBH (a subsidiary of Bank Austria for Real Estate Appraisal). Mr. Schilk has been Assistant General Manager in charge of Risk Management and a member of the Executive Committee at Yapı Kredi since September 2010. Mr. Schilk is also member of the Board of Directors of Yapı Kredi Leasing, Yapı Kredi Bank Nederland and Yapı Kredi Bank Moscow. He has been a member of the Board of Directors of Yapı Kredi Azerbaijan since August 2011, as well.

Mr. Akif Cahit Erdogan

Mr. Erdogan, 40, graduated from the Faculty of Mechanical Engineering at Istanbul Technical University. Mr. Erdogan earned his MBA degree from the Rochester Institute of Technology. Starting his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst, Mr. Erdogan moved to Accenture (Istanbul Office) in 2000 as a Management Consultant, where he went on to hold various positions. Mr. Erdogan joined the Bank on 1 December 2009 as Chief Information Officer. As of 15 July 2013, he assumed the position of Executive Vice President in charge of Information Technologies and Operations at the Bank.

Mr. Yakup Dogan

Mr. Dogan, 47, received a degree in Business Administration from the Çukurova University. He has worked at Is Bankasi and Ottoman Bank before joining Koçbank as Section Head of the ADCs Department and being later appointed Head of the ADCs Department. As of 30 January 2009, he assumed the position of Executive Vice President in charge of ADCs at the Bank.

Mr. Mehmet Murat Ermet

Mr. Ermet, 48, received a degree in Business Administration from Marmara University. He has worked in advertising at Leo Burnett Advertising Agency, Yapı Kredi, Dogan Media Group and later joined Demirbank. Mr. Ermet has served as Executive Vice President responsible for Corporate Communications at Disbank (later Fortis) and also worked in the Global Marketing and Communications Management (Brussels) of Fortis. Mr. Ermet also served as a faculty member at both Anadolu University and Bahçeşehir University. In June 2008, he assumed the position of Executive Vice President in charge of Corporate Communications at the Bank.

Ms. Feza Tan

Ms. Tan, 44, earned her graduate degree from the Department of Economics, Boğaziçi University in 1993. She began her professional career at Yapı Kredi as a Management Trainee in Corporate and Commercial Credits the same year and served in various positions in the same unit from 1993 until 2006. In 2006, she was promoted to the Head of Corporate and Commercial Credits Underwriting Unit. Between February 2009 and February 2013, she has served as Executive Vice President responsible for Corporate and Commercial Credits. In February 2013, she was appointed as Executive Vice President responsible for Corporate and Commercial Banking.

Mr. Süleyman Cihangir Kavuncu

Mr. Kavuncu, 55, received an MBA degree from the University of Bridgeport. He began his career at Arthur Andersen in 1983 as an Auditor. He worked then as the Foreign Funds Manager at the Treasury Division of Interbank, the Financing Director and Human Resources Director at Coca-Cola, Administrative Affairs Coordinator at Çukurova Holding and Human Resources Director at Colgate Palmolive. Following his appointment in August 2004 as Executive Vice President at Koçbank, he has been serving as Executive Vice President responsible for Human Resources at the Bank since 28 February 2006. Mr. Kavuncu also became a member of the Executive Committee in February 2009. He has been in charge of both Human Resources and Organisation Management since May 2011.

Mr. Mert Yazicioğlu

Mr. Yazicioğlu, 47, graduated from Istanbul Technical University, Department of Business Administration. He began his career at S. Bolton and Sons in 1987, serving as International Relations Officer. He joined Koçbank in 1989 where he served as Customer Relations Officer, Dealer, Senior Dealer and Assistant Manager. Mr. Yazicioğlu was promoted to Group Manager of the TL-FX Group under the Treasury Department in 1996 and then to Executive Vice President in 1999. He has served as Executive Vice President responsible for Treasury Management at the Bank since 28 February 2006. He was appointed as Executive Vice President of Private Banking and Wealth Management in May 2011.

Mr. Mehmet Erkan Özdemir

Mr. Özdemir, 47, received a degree in Economics from the Middle East Technical University. He worked as a Sworn-in Bank Auditor on the Sworn-in Bank Auditor Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Group in August 2002 where he worked as Audit Coordinator in the Audit Group responsible for the financial companies of the Group. Since April 2008, Mr. Özdemir has been serving as Compliance Officer and Executive Vice President at the Bank.

Mr. Stefano Perazzini

Mr. Perazzini, 51, received a degree in Economics from the University of Turin. He began his career at San Paolo IMI Bank in 1987. Between 1989 and 1992, he joined Honeywell Bull where he was responsible for the Planning and Control Department. Mr. Perazzini then became an Information Technology Auditor at Banca CRT Head Office in 1997 and later an Internal Auditor at the London and Paris branches of the Bank. Assuming the position of Internal Auditor at UniCredit Holding in September 1999, Mr. Perazzini was then appointed Deputy Manager of the Internal Audit Department at Bank Pekao, a UniCredit Group company. In 2003, he took on the responsibility of Executive Vice President for Internal Audit at Koç Financial Services and since 2006 he has been serving as Executive Vice President responsible for Internal Audit at the Bank.

Mr. Cemal Aybars Sanal

Mr. Sanal, 55, graduated from Istanbul University, Faculty of Law. He began his career in 1986 with the law firm of Sanal & Sanal as a Partner. Subsequently, he served at the Shell Company of Turkey Limited as an attorney from 1992 to 1995, at White & Case LLP as an attorney from 1995 to 1998, at the Shell Company of Turkey Limited once again as Chief Legal Counsel and a member of the Board of Directors from 1998 to 1999 and at Boyner Holding A.S. as Chief Legal Counsel and Vice President between 1999 and 2006. After working as a freelance attorney between 2006 and 2007, Mr. Sanal worked with the ELIG Law Firm as a Consultant from 2007 to 2008. He has been working with the Bank since July 2008 as the Executive Vice President responsible for Legal Affairs.

Ms. Zeynep Nazan Somer Özelgin

Ms. Özelgin, 51, graduated from Bogazici University, Faculty of Business Administration. She joined Arthur Andersen in 1988 and served as a Partner in charge of the finance sector from 1999 until 2000. Joining the Bank in September 2000 as Executive Vice President responsible for Individual Banking, Ms. Somer served as Executive Vice President responsible for Credit Cards and Consumer Lending from February 2006 until January 2009. She then became Executive Vice President responsible for Retail Banking. Ms. Özelgin also became a member of the Executive Committee in February 2009.

Ms. Nurgün Eyüboğlu

Ms. Eyüboğlu, 46, graduated from Boğaziçi University, Business Administration in 1991. She began her career at İktisat Bankası as Management Trainee. She joined Koçbank in 1993 as Relationship Manager and worked as Branch Manager from 1995 to 2004. Between 2004 and 2009 she held the position of Head of Corporate Banking and Multinational Companies at Yapı Kredi Bank. She was appointed as General Manager of Yapı Kredi Leasing in February 2009. Ms. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits at Yapı Kredi since February 2013.

Mr. Mehmet Gökmen Uçar

Mr. Uçar, 39, graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences Economics Department in 1998. Between 1998 and 2002, he worked in Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş. (PwC) as an independent auditor and obtained the “Certified Public Accountant” qualification. He joined Koçbank in 2002 and worked in Budget Control and Planning as Budget Planning and MIS Supervisor until 2005. Between 2005 and 2007, he gained several management responsibilities over strategy, budgeting and planning areas under the UniCredit Group in Italy, Germany and Austria. He returned to Yapı ve Kredi Bankası A.Ş. in 2008 and has since worked as Capital Management, Cost Control and Allocation Supervisor, Financial Reporting Head and Financial Reporting and Accounting Vice President. In

2011, he was appointed Financial Reporting and Accounting Executive Vice President. He has been Assistant General Manager responsible for Retail Credits since August 2012.

Mr. Mert Öncü

Mr. Öncü, 44, graduated from Istanbul Technical University, Electronics and Telecommunication Engineering Department in 1992 and received his MBA degree from DePaul University in 1994 and doctoral degree from Marmara University in 2001. He started his career at DePaul University where he worked as graduate assistant between 1993-1994. In 1994, he worked at Chicago Mercantile Exchange. He joined Koçbank in 1994 and worked at the Currency Risk and Asset Management departments respectively as Senior Dealer, Section Head, Group Manager and Asset Management TL/FX Supervisor. Between 2003 and 2006, he worked as the Head of Money and FX Markets Unit. Between 2006 and 2009, he worked as Head of Money and FX Markets Unit in Yapı Kredi. In 2009, he started to work as Money and FX Markets Executive Vice President. He has been Executive Vice President of Treasury Management since May 2011.

Mr. Cengiz Arslan

Mr. Arslan, 46, graduated from the Control and Computer Engineering department of the Istanbul Technical University in 1989. He started his career in October 1992 at Yapı Kredi Technology (BILPA), where he worked as the System Software Specialist and the Project Leader, until November 1995. Between 1995 and 2000, Mr. Arslan worked as the Supervisor in SYNERGY Ltd. In 2000, he worked at Garanti Technology Inc., where he started work in the Department of Image and Workflow as a Supervisor. He then assumed the role of Unit Manager in the Payment Systems and Automotive Companies Department. In 2012, Mr. Arslan worked as the Executive Vice President of Software at Doğuş Technology. Mr. Arslan joined the Bank on 17 December 2012 as BL Info Doc. Management and Workflow Software Development Vice President. As of 15 July 2013, he assumed the position of Chief Information Officer.

The business address of Mr. Yakup Dogan, Mr. Akif Cahit Erdogan and Mr. Cengiz Arslan is Yapı ve Kredi Bankası A.Ş., Genel Mudurluk/Bankacılık Ussu, Akse Mahallesi, Rahmi Dibeek Caddesi No: 275 41435 Çayirova, Kocaeli, Turkey which is the operation centre of the Bank. The other members of the senior management have their business address at Yapı ve Kredi Bankası A.Ş., Yapı Kredi Plaza D Blok, 34330 Istanbul, Turkey.

Board Committees

Yapı Kredi has a number of committees comprising various members of the Board. These committees consider risk and credit matters and include the Asset and Liability Management function of the Executive Committee and the Credit Committee, which are described in detail in “*Risk Management*”, as well as the Audit Committee, the Corporate Governance Committee and the Remuneration Committee. The Audit Committee supervises compliance by the Bank with local laws and internal regulations, monitors the performance of the Internal Audit Department, Compliance and Internal Control Department and Risk Management Department, controls ethical compliance and executes other functions provided for by the Banking Legislation and CMB Legislation for Audit Committees. The Audit Department, Risk Management and Compliance and Internal Control report to the Audit Committee.

Corporate Governance

Until recently, there were no mandatory corporate governance rules in Turkey. In 2003, the CMB issued a set of recommended principles for public companies, which applied to public companies on a “comply or explain” basis. In 2004, the Board decided to adopt these principles. On 30 December 2011, the *Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56* (the “**Annulled Corporate Governance Communiqué**”) was published and came into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, including the Bank. The Annulled Corporate Governance Communiqué became applicable to the Bank on 30 December 2012, as the regulation provided a one-year exemption for listed banks. Following the entrance into force of the Capital Markets Law, by 30 December 2012, the CMB started to prepare secondary legislation in light of the new law. Accordingly, a new communiqué on corporate governance – the *Corporate Governance Communiqué Series:II No:17.1* (the “**Corporate Governance Communiqué**”) was published in the Official Gazette as of 3 January 2014 which annulled the Communiqué

on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56. The Corporate Governance Communiqué contains principles relating to: (i) the company shareholders; (ii) public disclosure and transparency; (iii) the stakeholders of the company; and (iv) the board of directors. A number of principles are compulsory while the remaining principles continue to apply on a “comply or explain” basis as before. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. The CMB has classified 27 companies for the year 2014 as “Tier 1” companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to “Tier 2” and/or “Tier 3” companies. The Bank is classified as a “Tier 1” company. According to the Information Policy of the Bank, the public disclosures and all other relevant information given to shareholders are done under the supervision of the compliance office.

- The compliance office manages the official public disclosures via www.kap.gov.tr.
- Public disclosure is managed daily so as to assure timely communication.

The mandatory principles under the Corporate Governance Communiqué include: (i) the composition of the board of directors; (ii) appointment of independent board members; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) the information rights in connection with General Assembly meetings.

All “Tier 1” and “Tier 2” companies are required to have a number of independent board members that constitute at least one-third of the board of directors. However, these companies can apply to the CMB in order to limit the number of independent board members to two, irrespective of the ratio of the company’s free-float shares, as long as at least 51% of their share capital is equally owned by two independent shareholders contractually sharing equal management control but having no direct or indirect shareholding, management or audit relationship among themselves, except for banks. “Tier 3” companies do not have to comply with the one-third ratio, although they are obliged to have at least two independent directors. Pursuant to Article 6 of Corporate Governance Communiqué, banks have discretion in determining the number of independent directors, *provided that* they sustain the minimum requirement of having at least three independent directors. Board members who are appointed as an audit committee member within the bank’s organisational structure shall be considered as an independent board member within the framework of the Corporate Governance Communiqué.

The Corporate Governance Communiqué further initiated a pre-assessment system to determine the “independency” of individuals nominated as independent board members in “Tier 1” companies. Those nominated for such positions must be evaluated by the “**Nomination Committee**” of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based on this evaluation for final review by the CMB, which is authorised to issue a “negative view” on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees. “Tier 2” and “Tier 3” public companies are not required to go through the CMB pre-assessment for the appointment of independent directors, although the nominations must still be evaluated by the Nomination Committee.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all related-party transactions, transactions creating any guarantee, pledge or mortgage in favour of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. For example, material transactions, which are described as the lease, transfer or establishment of rights in rem over the total or a substantial part of the listed company’s assets, the acquisition or lease of a material asset, must be approved by the majority of the independent board members. If the majority of the independent directors do not vote in favour of such board resolutions, the relevant transaction will be subject to the approval of the shareholders, which will convene without required meeting quorums and where the related parties to those transactions will not be able to vote. The foregoing framework also applies to all related-party transactions as well as transactions creating any guarantee, pledge or mortgage in favour of third parties.

In 2007, the CMB had issued a rating communiqué enabling rating agencies to rate companies on the basis of their compliance with the applicable principles. In 2008, following a corporate governance rating report issued by SAHA Corporate Governance and Credit Rating Services Inc., the Bank was included among the leading companies that form the Borsa Istanbul Corporate Governance Index. The report provided Yapı Kredi with a corporate governance rating of 8.02 out of 10. In 2014, following a repeated review by SAHA Corporate Governance and Credit Rating Services Inc., the Bank's corporate governance rating was upgraded to 8.816.

Compensation

The Bank's compensation policy aims to remunerate fairly and in a manner that is consistent with the nature of work and structure of the general market or the sector, in order to enhance talent and key staff attraction/retention capability and people motivation. The compensation package is composed of base pay and variable pay. The variable pay is linked to the realisation of the Bank's strategic targets.

In general, base pay depends upon the position and the work completed whilst variable pay depends on performance. Thus, the compensation system allows the bank to reward employees according to their level of contribution and responsibility in order to reach the goals of the institution.

Salaries and other benefits paid to the Group's senior management amounted to TL 29,524 thousand as of 30 June 2014, TL 43,220 thousand as of 31 December 2013, TL 34,709 thousand as of 31 December 2012 and TL 30,299 thousand as of 31 December 2011.

UniCredit Relationship

As a result of the Group's relationship with the UniCredit Group, the Group receives assistance from the UniCredit Group in identifying candidates to fill management roles within the Group. However, the Group's management may also be appointed to other roles within the UniCredit Group. For example, in June 2010, the Bank's former Chief Risk Officer was appointed to a more senior position at another entity within the UniCredit Group. The Board resolved on 30 July 2010 to apply to the BRSA in order to appoint Wolfgang Schilk, a senior executive from UniCredit Group, as Chief Risk Officer. This appointment was confirmed as of October 2010.

Conflicts

None of the members of the Bank's Board or Senior Management has any existing or potential conflicts of interests with respect to his duties to the Bank and his private interests or other duties.

SHARE CAPITAL AND OWNERSHIP

Share Capital

As of the date of this Base Prospectus, the Bank's share capital consisted of 434,705,128.40 thousand authorised shares with a nominal value of TL 0.01 each. The Bank's shares are listed on the Borsa Istanbul and its global depositary receipts are listed on the London Stock Exchange.

The Bank's issued and fully paid up share capital was held as of the dates specified as follows:

	As of 30 June 2014		As of 31 December 2013		As of 31 December 2012		As of 31 December 2011	
	Ownership	Capital	Ownership	Capital	Ownership	Capital	Ownership	Capital
	(%)	(TL, thousands)	(%)	(TL, thousands)	(%)	(TL, thousands)	(%)	(TL, thousands)
Shareholders								
Koç Financial Services A.S.....	81.80	3,555,712	81.80	3,555,712	81.80	3,555,712	81.80	3,555,712
Others shareholders (minorities)	18.20	791,339	18.20	791,339	18.20	791,339	18.20	791,339
	100.00	4,347,051	100.00	4,347,051	100.00	4,347,051	100.00	4,347,051
Historical share capital								
Adjustment to share capital		(60,471)		(60,471)		(60,471)		(60,471)
Share premium		535,679		535,679		535,679		535,679
Total share capital and share premium		4,822,259		4,822,259		4,822,259		4,822,259

On 18 January 2012, the Board decided to increase the registered capital ceiling from TL 5 billion, the maximum level that the Board is authorised to increase the share capital absent a resolution of the General Assembly, to TL 10 billion. Such increase of the registered capital ceiling was approved by the CMB and the BRSA in February 2012 and was finalised upon the approval of the shareholders during the General Assembly meeting dated 22 March 2012.

Ownership

As of the date of this Base Prospectus, the Bank's controlling shareholder was KFS with an 81.8% stake and the remaining 18.2% of the Bank's shares were publicly traded and held by minority shareholders. The direct or indirect acquisition of shares, which represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder to increase above or fall below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA. In addition, irrespective of these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorisation of the BRSA.

Controlling Shareholders

Koç Financial Services

KFS is a financial holding company and an equal share (50%/50%) joint venture between the Koç Group and UniCredit Group. In connection with the establishment of the joint venture, UniCredit Group and Koç Group entered into a shareholders' agreement to govern various aspects of the management of KFS and the Bank (the "**Shareholders' Agreement**"). The Shareholders' Agreement includes an agreement between the parties to ensure that both are represented equally on the Board of Directors of KFS and the Bank and their various committees and among the senior management and sets out terms under which the shareholders may dispose of their relevant stake in KFS. In addition, the parties agree not to compete with the Bank in the Turkish banking market.

Koç Holding A. S.

Koç Holding is one of Turkey's largest conglomerates in terms of turnover and exports, with operations in the energy, automotive, consumer durables and finance sectors, employing over 83,000 employees. Koç Holding derives its strength from a large distribution network and after sales services, a wide customer base in different business segments together with strong customer relationship management capabilities enabling efficient upward and cross selling, leading brands and strong recognition and optimum portfolio diversification. In the year ended 31 December 2013, Koç Holding had total sales that corresponded to 8% of Turkey's GDP and exports that comprised 10% of Turkey's total exports. In the same period, Koç Holding generated U.S.\$34.8 billion in total revenues.

UniCredit and the UniCredit Group

UniCredit is a bank incorporated as a joint-stock company under Italian law, with registered office at Via A. Specchi, 16, 00186, Rome, Italy, and with head office and principal centre of business at Piazza Cordusio, 20123, Milan, Italy.

UniCredit is the parent holding company of the Gruppo UniCredit registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Italian Banking Act under number 02008.1 (the “**UniCredit Group**”).

The UniCredit Group is a global financial institution with an established presence in 22 European countries and 50 other financial markets with over 9,000 branches. The UniCredit Group is strategically positioned in its primary markets such as Italy, southern Germany, Austria, Poland and Central-Eastern Europe.

As at 30 June 2014, the UniCredit Group had over 150,000 (full-time equivalent) employees.

UniCredit Bank AG, as Arranger and Dealer and the Issuer are affiliates of UniCredit S.p.A., the parent company of the UniCredit Group. Further information about this relationship is set out in “Related Party Transactions”.

RELATED PARTY TRANSACTIONS

Related parties include entities that are directors, shareholders or affiliates of, or entities under common management or control with, the Bank. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Koç Group and the UniCredit Group, owning 50% of the ordinary shares each of KFS and as a result, both the UniCredit Group and Koç Group are considered related parties of the Group.

All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's length basis and the credit and payment terms in respect of such credits are no more favourable than those offered to third parties.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of 30 June 2014, the Bank's total net exposure to its risk group totalled TL 3,804 million, an amount corresponding to 15.8% of its own funds; the Bank is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following tables shows the loans of the Group's risk group as of the dates indicated:

Group's risk group ⁽¹⁾⁽²⁾	As of 30 June 2014					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non cash	Cash	Non cash	Cash	Non cash
	(TL, thousands)					
Loans and other receivables						
Balance at the beginning of the period	88,320	3,769	127,213	450,294	903,056	1,029,707
Balance at the end of the period	67,106	42,321	56,916	525,988	1,342,365	2,337,839
Interest and commission income received	1,642	28	1,709	2,006	44,662	6,070

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.

(2) The information in the table above includes loans and due from banks, as well as, marketable securities.

Group's risk group ⁽¹⁾⁽²⁾	As of 31 December 2013					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non cash	Cash	Non cash	Cash	Non cash
	(TL, thousands)					
Loans and other receivables						
Balance at the beginning of the period	35,480	2,559	361,814	403,915	777,335	937,437
Balance at the end of the period	88,320	3,769	127,213	450,294	903,056	1,029,707
Interest and commission income received	2,824	30	9,817	2,348	65,738	13,047

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.

(2) The information in the table above includes loans and due from banks, as well as, marketable securities.

The following table shows the deposits of the Group's risk group for the periods indicated:

Group's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
			For the six months ended			
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(TL, thousands)</i>					
Beginning of the period.....	6,688	15,788	15,480,464	8,646,705	6,544,935	8,339,879
End of the period.....	260,927	6,688	15,648,386	15,480,464	5,584,637	6,544,935
Interest expense on deposits⁽³⁾	763	706	238,773	201,726	135,193	150,149

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.

(2) The information in the table above includes borrowings, marketable securities issued and repo transactions, as well as, deposits.

(3) Financial statement information for the prior periods shows 30 June 2013 results.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group ⁽¹⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
			For the six months ended			
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(TL, thousands)</i>					
Transactions at fair value through profit or loss ⁽²⁾						
Beginning of the period ⁽³⁾	—	—	442,253	300,627	659,635	432,403
End of the period ⁽³⁾	—	—	508,019	442,253	1,011,465	659,635
Total profit/loss⁽⁴⁾	(95)	7,211	5,208	(30)	(47,961)	(5,120)
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	—	—	—	—	—	—
End of the period ⁽³⁾	—	—	—	—	—	—
Total profit/loss⁽⁴⁾	—	—	—	—	—	—

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.

(2) The Bank's derivate instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivate financial instruments held for hedging" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivate financial instruments.

(4) Financial statement information for the prior periods shows 30 June 2013 results.

In December 2013, the Bank repaid EUR 350 million subordinated loan facility advanced by Goldman Sachs International and received a new subordinated loan facility from UniCredit Bank Austria AG in the amount of U.S.\$470 million. The new facility has a ten-year maturity with a repayment option at the end of five years.

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking market has been provided for background purposes only. The information has been extracted from third party sources that the Bank believes to be reliable but the Bank has not independently verified such information.

The data provided in this section has been derived from information of the Banks Association of Turkey. As of the date of this Base Prospectus, data as of 30 June 2014 and where applicable 30 September 2014 was available.

As at 30 September 2014, 46 banks were operating in Turkey (excluding one bank under the administration of the SDIF and four participation banks). Three of these banks were public sector commercial banks, 11 were private sector commercial banks, 19 were foreign banks (branches of foreign banks and joint ventures between Turkish and foreign shareholders), and 13 were domestic development and investment banks (four of which having foreign shareholding). There were also four participation banks in Turkey, which conducted their business under the relevant legislation in accordance with Islamic banking principles.

Turkish banking legislation has changed substantially during the last seven years and the former Banks Act was replaced by the Banking Law on 1 November 2005. The Banking Law permits commercial banks to engage in all fields of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds) and financial leasing activities.

The Turkish banking system has become increasingly competitive over the last decade. The expansion of the Turkish banking sector was initially fuelled by economic growth and the liberalisation of the economy and went through a rapid and significant consolidation as many banks with weaker financial standing were taken over by the SDIF and removed from the sector. The Government has also contributed to structural improvements in the banking system through various regulatory arrangements, including standardised accounting practices, external auditing, higher capital adequacy standards, stricter treatment of non-performing credits and the proposed phasing out of deposit insurance. The objective of these regulatory changes has been to strengthen the banking sector and to increase the transparency and overall efficiency of the Turkish banking sector.

Following the financial crisis in 2001, the BRSA started to intervene actively in the banking sector. The BRSA is an autonomous and independent body and is the sole regulatory and supervisory authority for the Turkish banking system. The BRSA required privately-owned commercial banks that had the authority to accept deposits to undergo a three-tier audit process in 2001, which was strictly monitored by the BRSA. The three-tier audit process was by far the most comprehensive audit completed on Turkish banks, comprising a full audit by two independent auditors as well as BRSA auditors. A detailed analysis of each bank's cash flows was undertaken, with a significant proportion of its credits being evaluated and an aggressive position taken on classifying credits as non-performing. The most conservative of the three audit reports was then delivered to the BRSA to enable it to evaluate each bank's financial position. This process was completed by mid-2002. Moreover, in line with the regulations of the former Banks Act, banks established risk management departments reporting directly to their respective boards of directors. Accordingly, since 2002 risks taken by Turkish banks in terms of market, credit and operations are required to be calculated and monitored by these risk management departments.

The following table sets out certain statistical information for the Turkish banking sector as of 30 June 2014 under bank only BRSA reporting standards:

	Public sector banks	Private sector banks	Foreign banks (TL, thousands)	Development and investment banks	Total
Total assets	510,311	876,010	265,365	76,719	1,728,405
Total loans, net	308,339	555,996	167,978	59,582	1,091,895
Total deposits.....	323,204	502,663	150,247	0	976,114
Total equity.....	54,441	101,982	27,645	20,061	186,129
Net income.....	3,896	6,177	956	833	11,862
Number of branches	3,426	5,384	2,248	41	11,099
Number of employees	53,539	95,774	44,239	5,342	198,894
Number of banks	3	11	19	13	46

Source: The Banks Association of Turkey.

Note: Banks controlled by the SDIF and participation banks are not included in these figures.

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, Ziraat Bank, VakifBank and Halkbank, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full service banks and corporate/trade finance oriented banks. The four largest private commercial banks are Türkiye İş Bankası, Türkiye Garanti Bankası, Akbank, and the Bank. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. For example, BNP Paribas acquired 50.0% of the shares of TEB Mali Yatırımlar A.Ş., which owns 84.3% of the shares of TEB A.Ş., in February 2005. In September 2005, Kof Finansal Hizmetler A.Ş., 50.0% of which is owned by UniCredito Italiano, acquired 57.4% of the Bank. In July 2005, Fortis Bank acquired 89.3% of Türk Dis Ticaret Bankası A.Ş. Also in July 2005, Rabobank agreed to purchase 51% of Sekerbank. In August 2005, General Electric Financial Services purchased 25.5% of Garanti Bankası. In September 2005, Bank Hapoalim BM acquired Bank Pozitif ve Kalkınma Bankası for U.S.\$113.0 million. In May 2006, Tekfenbank was acquired by EFG Eurobank Ergasias S.A. for U.S.\$182.0 million. In June 2006, TuranAlem Securities of Kazakhstan, a wholly owned subsidiary of BTA Bank, acquired 34.0% of Sekerbank's shares. NBG acquired from Fiba Holding and affiliates a 46.0% stake in the ordinary shares of Finansbank and 100% of the founder shares for a total consideration of U.S.\$2.8 billion in August 2006. In January 2007, NBG acquired a further 43.4% of Finansbank's publicly held outstanding ordinary shares. Denizbank was acquired in October 2006 from Zorlu Group by Dexia for U.S.\$2.4 billion. On January 2007, Citi Group acquired a 20% equity stake in Akbank. On July 2007, Turkishbank was acquired by National Bank of Kuwait for U.S.\$160 million. ING acquired Oyakbank for U.S.\$2.7 billion in 2007. On November 2010, General Electric Co. agreed to sell its 18.6% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for U.S.\$3.8 billion, and Dogus Holding A.Ş. agreed to sell its 6.3% stake in the bank for U.S.\$2 billion. In December 2010, Credit Europe Bank N.V. acquired a 95% stake in Turkey based Millennium Bank AS, a subsidiary of Banco Comercial Portugues SA (BCP), for a total adjusted price of EUR58.9 million and later amended its corporate title to Fibabanka A.Ş. In June 2010, Türk Ekonomi Bankası's main partners announced their agreement to merge with Fortis Bank under the auspices of Türk Ekonomi Bankası. The merger was completed in March 2011. On 28 September 2012, Dexia sold and transferred the totality of its shareholding in Denizbank, amounting to 99.85%, to Sberbank of Russia for a total price of U.S.\$3.6 billion, as subject to certain closing adjustment mechanisms. On 27 October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, namely Odea Bank A.Ş., and the operation permit for this new deposit bank was granted on 28 September 2012. This approval and operation permit granted by the BRSA is the first authorisation granted to establish a "deposit bank" since 1997.

Similarly, the BRSA granted to Bank Of Tokyo-Mitsubishi UFJ Turkey A.Ş. an incorporation permit as of 22 December 2012 and an operation permit as of 19 September 2013. The BRSA also granted to Intesa Sanpaolo S.p.A. Central Branch an incorporation permit as of May 2013 and an operation permit as of 4 July

2014. Rabobank obtained its incorporation permit from the BRSA as of 3 August 2013 and an operating permit as of 9 September 2014, and it is expected to become operational in the near future. On 6 December 2012, the majority stake in Eurobank Tekfen A.S. was transferred to Burgan Bank S.A.K. headquartered in Kuwait. The trade name of Eurobank Tekfen A.S. was changed to Burgan Bank A.S. as of 28 January 2013. On 1 July 2013, the majority stake in Alternatifbank was transferred from Anadolu Group to Commercial Bank of Qatar. Similarly Tekstilbank entered into an agreement to transfer its majority stake held by GSD Holding to Commercial Bank of China in May 2014. The Competition Board rendered approval to the transaction in late August 2014, but the settlement has not yet realised.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept deposits.

Public Sector Commercial Banks

As of the date of this Base Prospectus, there were three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives. The following table sets out the three state-owned commercial banks in Turkey, ranked by size of assets as at 30 June 2014 under bank only BRSA reporting standards:

	Specialisation	Total assets <i>(TL, thousands)</i>	Number of branches
Bank.....			
T.C. Ziraat Bankasi	Agriculture	228,005	1,664
Türkiye Halk Bankasi	Retail	143,767	886
Türkiye Vakıflar Bankasi.....	General	138,539	876

Source: The Banks Association of Turkey.

According to the Banks Association of Turkey, total loans provided by these banks as of 30 June 2014 were TL 308,340 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost efficient funding sources.

T.C. Ziraat Bankasi and Türkiye Halk Bankasi are jointly managed by a single board of directors and have been restructured with the intention of ultimately privatising these banks. In addition, Pamukbank, a bank under the control of the SDIF, was merged with Türkiye Halk Bankasi at the end of 2004.

Banks under the Control of the SDIF

Following financial crises in 2001 and 2002, 19 private commercial banks were taken under the control of the SDIF. These banks have either been liquidated or sold to other domestic and international banks. As at 30 September 2014 only Birleşik Fon Bankasi, with total assets of TL 794 million as at 30 June 2014 and one branch was under the supervision and administration of the SDIF. Birlesik Fon Bankasi has been incorporated by the SDIF by merging the assets of Egebank A.Ş., Etibank A.Ş., İktisat Bankasi T.A.Ş., Kentbank A.Ş. and Toprakbank A.Ş. into Bayindirbank A.Ş. and by converting the latter into Birleşik Fon Bankasi A.Ş. Furthermore, although shares of Adabank are held by Uzan Group, the rights arising from the shares of Adabank (excluding dividend rights) are exercised by the SDIF. Adabank is expected to be sold in near future and the transaction is subject to the approval of the BRSA.

A continued environment of decreasing inflation, declines in yields on trading in Government securities and a reduction in the coverage of the SDIF could contribute to a higher level of calls on SDIF insurance and further consolidation in the banking sector.

Private Sector Commercial Banks

Private sector commercial banks can be divided into large branch network commercial banks and small branch network commercial banks. The larger private sector banks emerged in the 1940s and their branch networks cover the entire country. Most private sector banks belong to large industrial groups, which provide additional support to the banks.

The following table ranks the larger branch network commercial private sector banks by asset size as at 30 June 2014, under bank only BRSA reporting standards:

Bank	Ownership	Total assets	Number of branches
		<i>(TL, thousands)</i>	
Türkiye İş Bankası	Bank Pension Fund; RPP; Floated	219,599	1,324
Türkiye Garanti Bankası	Doğuş Group; BBVA; Floated	203,622	986
Akbank	Sabancı Group; Citibank; Floated	195,190	998
Yapı ve Kredi Bankası A.Ş.	Koç Holding; UniCredit; Floated	158,276	978
Türk Ekonomi Bankası	Çolakoğlu Group; BNP; Floated	58,452	542
Şekerbank	Employee Pension Funds and BTA	19,706	312

Source: The Banks Association of Turkey.

The liberalisation of Turkey's economy and foreign trade in the 1980s led to profitable opportunities for banks in the field of trade finance. Most of the smaller banks concentrate on wholesale banking with limited retail services.

The following table ranks small branch network commercial private sector banks by assets and number of branches as at 30 June 2014:

Bank	Ownership	Total assets	Number of branches
		<i>(TL, thousands)</i>	
Tekstilbank	Akin Group	3,545	44
Anadolubank	Habaş Group	8,867	144
Turkish Bank	Özyol Group	1,353	19
Adabank ⁽¹⁾	Uzan Group	50	1

Source: The Banks Association of Turkey.

(1) Adabank is expected to be sold in future and the transaction is subject to the approval of BRSA. The rights arising from the shares of Adabank (excluding dividend rights) are used by SDIF.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. Out of eleven privately-owned commercial banks, apart from the four largest banks, there are seven medium-sized commercial banks.

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at 30 June 2014 there were 19 foreign banks in total, 13 of which were locally incorporated banks and six of which were branches of foreign banks.

The table below presents certain information regarding foreign commercial banks in Turkey together with their asset size, under bank only BRSA reporting standards and number of branches as at 30 June 2014:

Bank	Ownership	Total assets	Number of branches
<i>(TL, thousands)</i>			
Locally Incorporated Banks			
Alternatifbank	Commercial Bank of Qatar ⁽¹⁾	10,607	73
Arap Türk Bankası	Is. Bankası; Emlak Bankası; Libyan		
Bank of Tokyo-Mitsubishi UFJ	Foreign Bank	3,497	7
Turkey A.S.	Bank of Tokyo-Mitsubishi UFJ	1,657	1
Burgan Bank A.S.	Burgan Bank S.A.K. ⁽²⁾	6,620	60
Citibank	Citi Group	7,218	8
Denizbank	Sberbank of Russia ⁽³⁾	62,833	708
Deutsche Bank	Deutsche Bank A.G	3,483	1
Finansbank	NBG Group	69,348	665
HSBCBank	HSBC	34,295	307
ING Bank	ING	35,650	322
Odea Bank	Bank Audisal-Audi Saradar Group	20,356	45
Rabobank	Rabobank International ⁽⁴⁾	—	—
Turkland Bank	Arab Bank, BankMed	4,458	30
Branches of Foreign Banks			
Habib Bank	Pakistan	84	1
Bank Mellat	Iran	300	3
JP Morgan Chase Bank	United States	348	1
Société Générale	France	898	15
The Royal Bank of Scotland	Scotland	3,013	1
Intesa Sanpaolo S.p.A.	Italy	698	0

- (1) On 1 July 2013, Commercial Bank of Qatar, completed the purchase and transfer of 80% of the shares of Alternatifbank from Anadolu Group to Commercial Bank of Qatar.
- (2) In April 2012, Burgan Bank S.A.K., one of Kuwait's leading banks announced that it had entered into an agreement with Eurobank EFG to acquire 99.26% stake in Eurobank Tekfen. Following the completion of the transaction the trade name of Eurobank Tekfen was changed into Burgan Bank.
- (3) On 28 September 2012, Sberbank, Russia's largest bank, completed the purchase and transfer of 99.85% of the shares of Denizbank from Dexia Group for U.S.\$3,504 million.
- (4) Rabobank obtained its incorporation permit as of 3 August 2013 and operating permit as of 9 September 2014 from the BRSA. The bank is expected to become operational in near future.

Development and Investment Banks

There are three state owned, seven privately owned and three foreign development and investment banks in Turkey. The following table presents these banks and their assets and number of branches as at 30 June 2014:

Bank	Total assets	Number of branches
<i>(TL, thousands)</i>		
State owned Development Banks:		
İller Bankası	15,003	19
Türk Exim Bank	30,969	2
Türkiye Kalkınma Bankası	3,437	1
Privately Owned Development and Investment Banks:		
Türkiye Sinai Kalkınma Bankası	13,903	3
İMKB Takas ve Saklama Bankası	4,704	1
Nurol Yatırım Bankası	475	1
Diler Yatırım Bankası	117	1
GSD Yatırım Bankası	123	1
Aktif Yatırım Bankası	5,401	8
Foreign Development and Investment Banks:		
Bank Pozitif Kredi ve Kalkınma Bankası	1,927	1
Standard Chartered Yatırım Bankası Türk A.S.	72	1
Merrill Lynch Yatırım Bankası	529	1

Source: The Banks Association of Turkey.

The banks in this category provide medium and long-term financings to large and medium sized companies on a project basis. The major funding sources of these banks are the Central Bank, international banks and institutions such as the World Bank, the EIB and various export credit agencies. These banks do not accept

deposits and grant credits only on a project basis. They are also active in foreign exchange and securities transactions.

TURKISH REGULATORY ENVIRONMENT

Turkish banks are governed by two primary regulatory authorities in Turkey, the BRSA and the Central Bank.

The Banks Act No. 4389 established the BRSA, which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. Accordingly, the BRSA is authorised and obliged to take all steps to assure the effective functioning of the credit system in Turkey and to prevent all transactions and practices which could jeopardise the disciplined and safe functioning of the Turkish banking sector. The BRSA has administrative and financial autonomy. The Banking Law No. 5411, which abolished and replaced the former Banking Law No. 4389, came into force upon publication thereof in the Official Gazette dated 1 November 2005. The Banking Law was passed to increase confidence and stability in financial markets, ensure efficient operation of the credit system, and protect the rights and interest of deposit holders. The Banking Law includes provisions regarding capital adequacy, efficiency of control and audit to be carried out by the BRSA, creation of market discipline, and enforcing liability insurance requirements for third party service providers to banks, such as sworn auditors and credit rating agencies. Historically, its head office has been in Ankara. However, as of 13 February 2011 and pursuant to Law No. 6111, the head office was relocated to Istanbul with the migration of functions from Ankara to Istanbul to be completed within two years of such date. Pursuant to Law No. 6111, the Council of Ministers of Turkey has been authorised to extend the migration deadline as necessary.

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the Government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the Government on financial matters. The Central Bank is empowered to determine the inflation target together with the Government, and to adopt a monetary policy in compliance with such target.

The Central Bank exercises its powers independently and is responsible for its affairs within the bounds of the Government's defined policies.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported. Official certified bank auditors, who are responsible for the onsite examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyse the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to a regulation regarding the internal systems of banks issued by the BRSA, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department will report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Turkish Banking Association acts as a limited organisation of supervision and coordination. All banks in Turkey are obliged to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its regulatory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholding

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated

with such shares. In addition, irrespective of these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to authorisation by the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to cancel any applicable general assembly resolutions. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

- Credits extended in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, credits include cash credits and non-cash credits such as letters of guarantee, counter guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital.
- Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals;
- transactions carried out with the Undersecretariat of Treasury, Central Bank, Privatisation Administration and the Mass Housing Administration, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;
- transactions carried out with the Central Bank and in legally organised money markets;
- in case of new credit allocations, valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits;
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;
- interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities *provided that* such shares are disposed of in the time and manner determined by the BRSA;
- transactions considered as “deductibles” in the shareholders’ equity account; and
- other transactions to be determined by the board of the BRSA (the “**BRSB**”).

Loan Loss Reserves

Procedures relating to loan loss reserves for NPLs are set out in regulations issued by the BRSA. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables published in the Official Gazette No. 26333, banks are required to classify their loans and receivables into one of the following groups:

(a) *Standard Loans and Other Receivables*

This group involves loans and other receivables:

- (i) that have been disbursed to real 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 which can be fully collected; or
- (iv) for which no weakening of the creditworthiness of the debtor concerned has been found.

(b) *Closely Monitored Loans and Other Receivables*

This group involves loans and other receivables:

- (i) that have been disbursed to real 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 materialisation of the latter or significant financial risk carried by the person utilising 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) which are very likely to be repaid but where the collection of principal and interest has not been made for justifiable reasons and is delayed for more than 30 days; however, which

cannot be considered as loans or other receivables with limited recovery as grouped in 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 cash flow which is difficult to control.

If a bank has made several loans to a customer and any of these loans is included in this group, then all of the bank's loans to such customer will be classified in this group even though some of the bank's loans to such customer would otherwise have been included in Group I above.

(c) *Loans and Other Receivables with Limited Collection Ability*

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 where if the problems observed are not eliminated, they are likely to give rise to 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 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 Remote Collection Ability*

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 less 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 carrying the characteristics stated in Group III and Group 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 full 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. They 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 the loans under follow up procedures and the repayment of overdue loans and establish and operate the structures that will perform these functions. All provisions set aside for loans and other receivables in accordance with Article 53 are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment dated 21 September 2012, banks are currently required to set aside these required reserves until the end of the month during the course of which the receivables could not be collected.

Turkish law also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) 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. The banks which have total collateral (e.g. letters of guarantee, letters of credit, factoring guarantees, other guarantees and assurances) more than ten times the capital adequacy amount calculated in accordance with the Regulation on the Equity of Banks apply the general reserve ratio as 0.3% for the standard non-cash loan portfolio. In addition, 25% of the above mentioned rates will be applied for each check that remains uncollected for a period of five years after issuance.

The amendments to the Regulation on Provisions and Classification of Loans and Receivables on 21 September 2012 also introduced a time scheme for banks to set aside general reserves for Group I and Group II including cash loans, letters of guarantee, avals, sureties, other non-cash loans comprised by these groups. Accordingly, banks will have to set aside (i) at least 40% until 31 December 2012, (ii) at least 60% until 31 December 2013, (iii) at least 80% until 31 December 2014, (iv) up to 100% until 31 December 2015 of the general reserves calculated as at the end of August 2012, pursuant to the above-mentioned ratios for Group I and Group II.

Furthermore, the banks which the consumer loans constitute 20% of the total loan portfolio and the banks which the illiquid vehicle and housing loans constitute 8% of the consumer loan portfolio excluding vehicle and housing loans (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) must provide a general reserve calculated at 4% and 8% for outstanding (but not yet due) consumer loans (excluding vehicle and housing loans) under Group I and Group II respectively, during the term of such loans. The banks should also set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Assets" 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" by applying the general provision rate applicable for cash loans.

The BRSA is authorised to set higher general reserve ratios or higher ratios for special provisions by taking into account the sectors and risk profiles of the countries in which the loans will be utilised.

Apart from the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V described above in the amounts of 20%, 50% and 100%, respectively.

The terms of the agreements of loans and other receivables under Groups I and II may be amended *provided that* the loans and other receivables continue to satisfy the conditions to be qualified under Groups I and II, respectively. However, for both groups, if the amendment results in the extension of the payment plan, the relevant bank will be required to provide additional general reserve. This additional general reserve to be provided in the event of extending the payment plan will be at least five times the general reserve requirement for standard loans under Group I; at least 2.5 times the general reserve requirement for closely monitored loans under Group II. The annual and interim period financial statements will provide information as to the number of amendments and the extension of the payment plans. Furthermore, for consumer loans (excluding vehicle and housing loans) the additional reserve will be calculated as 2.5 times and 1.25 for loans and other receivables categorised under Group I and Group II respectively. 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 is 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 for both Group I and Group II.

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 receivables have been refinanced, are defined as NPLs. If several loans have been extended to a loan customer by the

same bank and if any of these loans is considered an NPL, then all outstanding risks of such loan customer are classified in the same group as the NPL even if such loans would not otherwise fall under the same group as such NPL including the non-cash loans, and amounts monitored under “Receivables from Derivative Financial Assets” of such customer. Banks are required to set aside special provisions for non-cash loans, and amounts monitored under “Receivables from Derivative Financial Assets” on the basis of the sums to be computed by multiplying them by the rates of conversion into cash loan indicated in Article 12 of the “Regulation on Loan Transactions of Banks” by applying the special provision rate applicable for cash loans. If such non-cash loans, and amounts monitored under “Receivables from Derivative Financial Assets” are converted into cash, such converted cash amount is classified as NPL. If an NPL is repaid in full, then the other loans of the loan customer may be re classified into the applicable group as if they were not related to the NPL.

Banks must also monitor the following types of security based upon their classification. Category I Collateral: Cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Mass Housing Administration or the Privatisation Administration and B-type investment profit sharing funds; member firm receivables arising out of credit cards and gold reserves within the applicable bank; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the OECD and securities issued directly or guaranteed by the European Central Bank; transactions made with the Treasury, Central Bank, the Mass Housing Administration or the Privatisation Administration or transactions that are guaranteed by securities issued directly or guaranteed by such administrations; guarantees issued by banks operating in OECD member countries; and sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits; and bills and bonds issued by banks operating in Turkey. Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate *provided that* their appraised value is sufficient; export documents appurtenant to bill of lading or carrier’s receipt and negotiable instruments obtained from real or legal persons based upon actual commercial relationships. Category III Collateral: Commercial enterprise pledges, export documents, vehicle pledges, mortgages on aircraft or ships, suretyships of creditworthy natural persons or legal entities and other client promissory notes of natural persons and legal entities. Category IV Collateral: Any other security not otherwise included in Categories I, II or III.

While calculating the special provision requirements for NPLs, the value of collateral received from the borrower will be deducted from the NPLs in Groups III, IV and V above in the following proportions in order to determine the amount that will be subject to special provisioning:

Discount Ratio	(%)
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 III, IV or V) for at least the following six-month period and to be provided against in line with the relevant loan group provisioning level. After this six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables may be reclassified to the “Refinanced/Restructured Loans and Receivables” 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.

Loans and other receivables subject to a new redemption plan may be classified as Group I, *provided that* at least 10% of the total sum of receivables has been repaid. Any such debt classified under Group I that is reclassified as Group II or that is restructured or is continued to be monitored under Group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as Group I, *provided that* at least 15% of the total debt has been repaid. If such loans and other receivables become subject to a redemption plan for a second time as a result of new loans having been utilised, then such loans and receivables shall be classified as Group III until 5% of the total sum of receivables has been repaid.

As long as payments foreseen in the redemption plan are made within the payment periods envisaged for Group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

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 Libya and Syria).

Banks must provide information in their year-end and interim financial reports to be disclosed to the public for the loans and receivables involving the maritime sector, as defined above, that are subject to the terms of a new contract or restructured.

Capital Adequacy

Article 45 of the Banking Law defines capital adequacy as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks with a capital adequacy ratio less than 12% from opening new branches.

The BRSA is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision in December 2010 and revised in June 2011 into Turkish law, the BRSA announced its intention to adopt the Basel III requirements in September 2013 and enacted its new regulations, the Regulation on Equity as published in the Official Gazette dated 5 September 2013 and numbered 28756 (the "**Equity Regulation**"), and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, both of which entered into effect on 1 January 2014.

Under the Equity Regulation, subordinated loans are included under "additional Tier I capital" and "Tier II capital" subject to certain conditions; however, their amounts are required to be reduced by the amount of any cash credit extended to creditors holding 10% or more of such loans of a bank (or to any person within such creditor's risk group).

Pursuant to Article 44/3 of the Banking Law and Article 11 of the BRSA Regulation, the net worth of a bank (i.e., the bank's equity) consists of main capital and supplementary capital minus capital deductions. The Equity Regulation defines the capital of a bank as the sum of: (a) principal capital (i.e., Tier I capital), which is composed of core capital and additional principal capital (i.e., additional Tier I capital) and (b) supplementary capital (i.e., Tier II capital) minus capital deductions. 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 5 November 2013 and numbered 28812, and entered into force on 1 January 2014 (with the exception of

certain provisions of the latter regulation that will enter into effect on 1 January 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific counter-cyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks.

Lastly, the Regulation on Liquidity Coverage Ratios, published in the Official Gazette dated 21 March 2014 and numbered 28948, seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and non-consolidated liquidity and 80% in respect of total consolidated and non-consolidated foreign exchange liquidity. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliances that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied. The Regulation on Liquidity Coverage Ratios entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which the regulation makes effective on 1 January 2015). See also a discussion of the implementation of Basel III in “*Basel III*” below.

According to the Equity Regulation, which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments that are not to be included in Tier I capital and have been approved by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance approval with the CMB) are met also can be included in Tier II capital calculations. In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the Equity Regulation also provides a limit for inclusion of general provisions in Tier II capital. Pursuant to the Equity Regulation, the basis for the calculation of this limit depends on risk-weighted assets related to credit risk.

The Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a “secondary subordinated debt”. In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarised copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy thereof to be made after receipt of the BRSA’s consent). In considering any such request for its permission the BRSA will evaluate whether the credit in question meets the following criteria:

- the debt instrument shall have been issued by the bank and such issuance shall be approved by the CMB and shall have been fully collected in cash,
- in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors,
- the debt instrument shall not be related to any derivative operation or contract violating the condition stated in the second clause nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,
- the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate, and
- the payment of debt before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital. In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilisation), they would be required to obtain the BRSA's permission. Upon any such application, the BRSA will seek to ensure that the equity of the bank shall exceed the higher of: (a) the capital adequacy requirement that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (b) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (c) the higher capital requirement set by the BRSA (if any).

In connection with secondary subordinated debt pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (i.e., not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the equity related criteria stated above.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20% each year.

Liquidity Reserve Requirement

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSB. Within this framework, a comprehensive liquidity arrangement was put in place by the BRSA, following the consent of the Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below.

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, precious metal deposit accounts and deposits/participation accounts up to one month, up to three months, up to six months and up to one year maturities	13%
Deposits/participation accounts and precious metal deposit accounts with one year and longer maturity and cumulative deposits/participation accounts.....	9%
Other liabilities up to one year maturity (including one year)	13%
Other liabilities up to three years maturity (including three years).....	11%
Other liabilities longer than three years maturity	6%

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below.

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts and deposit/participation accounts up to one month and up to three months (including three months)	11.5%
Deposits/participation accounts up to six months maturity (including six months).....	8.5%
Deposits/participation accounts up to one year maturity	6.5%
Deposits/participation accounts with one year and longer maturity and cumulative deposits/participation accounts ...	5%
Liabilities other than deposits/participation funds up to one year maturity (including one year).....	11.5%
Liabilities other than deposits/participation funds up to three years maturity (including three years)	8%
Liabilities other than deposits/participation funds longer than three years maturity	5%

The reserve ratios listed in the table above are subject to continuous changes by the Central Bank, and the Bank maintains the required reserves in the amount determined by the Central Bank. Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest bearing (reserve accounts in foreign currencies have not been interest bearing since 2008). On 21 October 2014, the Central Bank made an announcement that starting from November 2014, the Central Bank will pay interest to banks in correlation to reserve requirements held in Turkish Lira. The interest amount to be paid by the Central Bank in relation to reserve requirements held in Turkish Lira will be rated by a reduction of 700 basis points from the weighted average funding cost.

On 25 December 2013 the Central Bank issued a new Communiqué on Reserve Requirements which entered into force as of 17 January 2014 by repealing the former Communiqué on Reserve Requirements. There are no amendments introduced in the new Communiqué to reserve requirement rates. As of 30 June 2014, the Central Bank had kept the reserve requirement rates on hold.

The reserve requirements also apply to gold deposit. The Central Bank has also implemented reserve option coefficients for the calculation of the respective foreign currency and gold amounts. Reserve option coefficient mechanism acts as an auto stabiliser for currency movements as it provides banks the flexibility to adjust their reserves at the Central Bank depending on their liquidity needs. On 24 July 2014, the Central Bank introduced an amendment to the Communiqué on Reserve Requirements requiring the respective foreign currency to be denominated only in U.S. dollars for the reserves set aside at an amount calculated according to reserve option coefficients. Accordingly, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to previous metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank.

From April 2013, the BRSA introduced additional reserve requirements for banks that did not meet a specified leverage ratio. Pursuant to the Communiqué on Reserve Requirements which entered into force as of 17 January 2014, banks must establish additional mandatory reserves if their financial leverage ratio falls within certain intervals. Currently, the Bank's leverage ratio is above the required limit and the Bank has not been required to increase reserves to date.

Foreign Exchange Requirements

The ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, such calculation being required on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors shall establish audit committees for the execution of audit and monitoring functions. Audit committees shall consist of a minimum of two members who must be non-executive members of the board of directors. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors. With the Regulation on Internal System of Banks published in the Official Gazette No. 28337, dated 28 June 2012 new standards as to principles of internal audit and risk management systems were determined, bringing such standards in compliance with Basel II requirements.

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 of the BRSA related to the authorisation and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance

is required for (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the Istanbul Stock Exchange. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of a bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off site examinations.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF is a public legal entity established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, the tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Treasury, the BRSA and the Central Bank.

Borrowings of the SDIF

The SDIF may borrow in extraordinary situations upon an authorisation from the Treasury by borrowing Government debt securities which are issued by the Treasury where it is deemed necessary. Principles and procedures regarding the borrowing of Government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

Power to Require Advances from Banks

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set off against their future premium obligations.

Contribution of the Central Bank

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amount, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

Premiums as an Expense Item

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

Claims

In the event of the bankruptcy of a bank, holders of savings deposits will have a first degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since 5 July 2004, deposit accounts (Turkish Lira, foreign exchange currency accounts or other accounts linked to precious metals) opened by natural persons in domestic branches are insured by the SDIF up to an amount of TL 50,000 per person, in each deposit bank.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is such as to make it unable to conduct its business in a secure manner;
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient;
- the assets of such bank have been impaired in a manner weakening its financial structure;
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems; or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure.

Then the BRSA may require such bank:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to cease the exercise of providing loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit its new investments;
- to limit its salary distributions or other payments;
- to cease its long-term investments;

- to comply with the relevant banking legislation;
- to cease its risky transactions; and/or
- to take all actions to decrease any foreign exchange and interest rate risks.

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite it having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets;
- to decrease its operational costs;
- to postpone its payments, excluding the regular payments to be made to its members;
- not to make available any cash or non-cash loans to certain third persons or legal entities;
- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to apply the aforementioned actions; and/or
- to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business for a temporary period;
- to apply various restrictions, including restrictions with respect to resource collection and utilisation;
- to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers;
- to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or more other banks;
- to provide new shareholders in order to increase its equity capital; and/or
- to cover its losses with its equity capital.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) such bank cannot cover its liabilities as they become due, (e) the total amount of the liabilities of such bank exceeds the total amount of its assets, or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

On 20 October 2014, a draft law amending certain provisions of the Banking Law was presented to the General Assembly which also brings many novelties to the transfer of banks to SDIF, including incorporation of a bridge bank.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual and financial reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, the audit committee, the general manager, the deputy general manager responsible for chief financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial reports comply with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

When the BRSA requests a bank's annual reports, the general manager, a representative of the audit committee and the deputy general manager responsible for chief financial reporting must sign the reports indicating their full names and titles and declare that the annual reports comply with relevant legislation and accounting records.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish annual reports that comply with the BRSA's established guidelines. These reports include the following information: corporate profile, assessment by the chairman of the board and general manager, details on banking and subsidiaries activities, management and organisation structures, financial situation, corporate governance practices including human resource implementations, assessment of risk management and policies and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the Regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual General Assembly of the bank. Each bank must submit a copy of its annual report to the BRSA by the end of April and keep a copy of it in its headquarters and each branch and publish it on its website by the end of May.

Disclosure of Financial Statements

With the *Communiqué on Financial Statements* to be disclosed to the public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of the banks were promulgated. The amendments to the calculation of risk weighted assets and their implication of capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk are determined. In addition new principles are determined with respect to the disclosure of, *inter alia*, position risks relating from securitisation transactions or investments on quoted stocks.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Anti-Money Laundering Policies

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the “**Law on the Prevention of Laundering Proceeds of Crime**”).

Minimum standards and duties under the Law on the Prevention of Laundering Proceeds of Crime and related legislation in effect, namely, the “Regulations on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism” and the “Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism” include customer identification, record keeping, suspicious transactions reporting, employee training, monitoring activities and designation of a compliance officer.

Suspicious transactions must be reported to the Financial Crimes Investigation Board.

The Bank believes it is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation. These regulations include requirements to have written policies and procedures on anti-money laundering and “know your customer” principles such as, assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks (“**Basel III**”). A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the Basel III draft proposal, and the Basel Committee issued a final comprehensive framework in December 2010. On 1 February 2013, the BRSA published draft regulations for the implementation of Basel III in Turkey. The consultation period for these draft regulations ended on 1 March 2013 and the BRSA made a public announcement on 1 July 2013 that Basel III requirements to be adopted with the regulations will be effective as of 1 January 2014. On 5 September 2013, the regulation on equities of banks and the amendments to the regulation on capital adequacy requirements were published in the Official Gazette numbered 28756 both of which entered into effect on 1 January 2014. In addition to these new regulations: (a) Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published the Regulation on the

Calculation of Liquidity Coverage Ratio in the Official Gazette dated 21 March 2014 and numbered 28948. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. On 6 August 2014, the BRSA announced that a number of draft regulations, including a guide for stress tests on liquidity and regulation on the calculation of internal capital adequacy, presented for public opinion as part of BRSA's efforts of promulgating Basel III requirements by April 2014, had been finalised and announced in the Official Gazette. On 6 September 2014 an amendment to the Regulation on Equities of Banks, the draft of which was presented for public opinion in June 2014, was published in the Official Gazette and entered into force. This amendment introduced certain novelties as to BRSA's authority to write off Tier I and Tier II debt instruments. In addition to this amendment, on 6 September 2014, an amendment to the Capital Adequacy Regulation was published in the Official Gazette as well as other regulations as to calculation of capital adequacy as part of BRSA's efforts to adopt Basel III requirements.

The Basel III framework includes several key initiatives, which change the Basel II framework. The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments will need to meet more stringent requirements.
- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirement for trading book and re securitisation activities, and were implemented in December 2011 throughout Europe. Further changes, to be implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment ("CVA").
- New minimum requirements and capital buffer requirements are increased. The Basel Committee has defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier I ratio, 6% Tier I ratio and 8% capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5% in order not to face restrictions.

As the quality of the capital base is already high with common equity constituting the majority of the capital base, the Bank expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the capital requirements set forth within the Basel III framework.

The Basel Committee has also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio ("LCR") and the net stable funding ratio ("NSFR"). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30 day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term “accounted for” means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10 per cent. withholding tax for notes with an original maturity of less than one year,
- 7 per cent. withholding tax for notes with an original maturity of at least one year and less than three years,
- 3 per cent. withholding tax for notes with an original maturity of at least three years and less than five years, and
- 0 per cent. withholding tax for notes with an original maturity of five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term “beneficial owner” is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding tax at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding tax. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

U.S. Foreign Account Tax Compliance Act

FATCA generally imposes a withholding tax of 30 per cent. 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 per cent. of amounts payable with respect to Notes issued under the Programme to holders of such Notes 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 (“**Non-participating 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 with the Federal Register 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. Treasury Regulations defining the term “foreign passthru payment” have not been filed with the Federal Register. In addition, if the Bank creates and issues further Notes after the grandfathering date that are consolidated and form a single series with Notes outstanding on the grandfathering date, a withholding agent may not be able to distinguish between the outstanding Notes and the further Notes, which may result in withholding on both the outstanding Notes and the further Notes, unless such further Notes are issued pursuant to a “qualified reopening” of the outstanding Notes for U.S. federal income tax purposes.

The United States and Turkey have reached an agreement in substance to enter into a Model I intergovernmental agreement to facilitate the implementation of FATCA (an “**IGA**”). If the IGA is entered into as agreed in substance, payments of U.S. source income to Turkish “financial institutions,” as defined under the IGA, including the Bank, would not be subject to FATCA withholding provided that such Turkish financial institutions are in compliance with the IGA. However, the Bank and other Turkish “financial institutions” would be required to report certain information regarding their respective U.S. account holders to the government of Turkey, which information may ultimately be reported to the U.S. Internal Revenue Service. The IGA, if entered into, currently does not require withholding on foreign passthru payments. However, there can be no assurance that Turkey and the United States will in fact enter into an IGA, or that the IGA will not be amended in the future to require withholding on foreign passthru payments.

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 the EU Savings Directive on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is 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 (a withholding system in the case of Switzerland).

The Proposed Financial Transactions Tax

On 14 February 2014, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission’s Proposal 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 the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the “**Programme Agreement**”) dated 3 November 2014, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme. Subject to the terms agreed for any specific Tranche of Notes, the Issuer has agreed to reimburse any relevant Dealer(s) for certain expenses in connection with the issue of a Tranche of Notes under the Programme and to indemnify any relevant Dealer(s) against certain liabilities which may be incurred by them in connection therewith.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB required for the issuance of Notes under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and related legislation, the Capital Markets Law and related regulations. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated May 6, 2010 No. 3665, the BRSA decision dated 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 both in the primary and secondary markets, *provided that* such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through licensed banks authorised by the BRSA. As such, Turkish residents should use licensed banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through the licensed banks authorised by the BRSA.

An issuance certificate (*ihraç belgesi*) and/or a tranche issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Notes shall be prepared by, and the CMB approval thereof shall be obtained by, the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain the authorisation and approval of the CMB as necessary for the offer, sale and issue of Notes under the Programme. In particular, in order to issue any further Tranche of Notes after 15 May 2015, the Bank will be required to renew its CMB approval which, in line with the relevant regulations, was granted for a one-year period. Furthermore, until 15 May 2015, if and when the aggregate nominal amount of all Notes issued and sold following 15 May 2014 under the Programme exceeds U.S.\$ 3,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further Tranche of Notes.

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.

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

The applicable Final Terms will identify whether TEFRA C or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor to which it sells any Notes during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes other than in an offshore transaction to a person that is not a U.S. person by any distributor (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.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for

the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

People’s Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the 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 other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

The Bank is registered at the Istanbul Trade Registry under number 32736. It has its principal office at Yapi Kredi Plaza, D Blok, Levent 34330 Istanbul, Republic of Turkey. Its telephone number is +90 212 339 7011.

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 July 2013, 4 September 2013, 27 November 2013 and 10 February 2014.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available in physical form for inspection from the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer;
- (b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Bank as of and for the years ended 31 December, 2013, 2012 and 2011;
- (c) the independent auditors' review report and unaudited interim consolidated BRSA Financial Statements of the Group as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives), as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives);
- (d) when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated and unaudited unconsolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis, and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis (though the Issuer's IFRS and unconsolidated BRSA financial statements do not constitute a part of, and are not incorporated by reference into, this Base Prospectus);
- (e) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (f) a copy of this Base Prospectus; and
- (g) when published, any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only

be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, electronic copies of the following documents will be available on the websites of the Bank and/or the Irish Stock Exchange at the respective locations:

- (i) the Base Prospectus dated 20 September 2013, published on the website of the Irish Stock Exchange at:
http://www.ise.ie/debt_documents/Base%20Prospectus_71dc8965-41c6-4da1-8db2-07fdbf0fabbd.PDE;
- (ii) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2013 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/2013-aralik-cons-signed_16495/download.aspx;
- (ii) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-december-2012-signed_14415/download.aspx;
- (iii) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_14414/download.aspx;
- (iv) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/9m14-consolidated_17928/download.aspx;
- (v) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/consolidated-signed_17528/download.aspx;
- (vi) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31-march-2014-signed_17079/download.aspx;
- (vii) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2013 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/assets/pdf/2013_brsa_unconsolidated_financial_report_signed_E6C83.pdf;
- (viii) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:
http://www.yapikredi.com.tr/medium/file/31_15057/download.aspx;

- (ix) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_15058/download.aspx;

- (x) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/9m14-unconsoolidated_17930/download.aspx;

- (xi) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/solo-signed_17537/download.aspx; and

- (xii) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Group as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-march-2014-signed_17081/download.aspx.

(such websites are not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus).

Each Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market will also be available on the website of the Irish Stock Exchange and of the Central Bank of Ireland.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg

Conditions for determining price

For Notes to be issued to one or more Dealers, the price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. For Notes to be issued to one or more investors purchasing Notes directly from the Issuer, the price and the amount of the relevant Notes to be issued under the Programme will be determined by the Issuer, based on prevailing market conditions, or by agreement between the Issuer and the relevant investor(s).

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Group since 30 September 2014 and no material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 2013.

Litigation

Save as disclosed on page 8 under the title "*The Bank is appealing a judgment in the Istanbul Commercial Court and has not recorded any provisions in its financial statements in respect of the judgment*", on pages 16 to 18 under the title "*The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the*

Turkish banking sector” and on pages 114 and 115 under the title “*Legal Proceedings*” of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Base Prospectus, a significant effect on the Group’s consolidated financial position or profitability.

Independent Auditors

The BRSA Financial Statements as of and for the years ended 31 December 2013, 2012 and 2011 incorporated by reference into this Base Prospectus have been audited, without qualification, in accordance with the Regulation on Authorisation and Activities of Institutions to Perform External Audit in Banks and International Standards on Auditing by EY, located at Maslak Mahallesi, Eski Büyükdere Caddesi No: 27, Daire: 54-57-59, Kat: 2-3-4, Sarıyer/Istanbul, Republic of Turkey, as stated in the convenience translations into English of the relevant EY’s reports incorporated by reference into this Base Prospectus.

The BRSA Interim Financial Statements as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives), as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives) incorporated by reference into this Base Prospectus have been reviewed in accordance with the “*Regulation on Authorisation and Activities of Institutions to Perform External Audit in Banks*” published in the official Gazette No.: 26333 dated 1 November 2006 and International Standards on Auditing by EY. See the English convenience translations of the relevant EY’s reports incorporated by reference into this Base Prospectus. With respect to the unaudited BRSA Interim Financial Statements as of and for the nine months ended 30 September 2014 (with 30 September 2013 comparatives), as of and for the six months ended 30 June 2014 (with 30 June 2013 comparatives) and as of and for the three months ended 31 March 2014 (with 31 March 2013 comparatives), EY has reported that it applied limited procedures in accordance with professional standards for a review of such information; however, its report states that it did not audit and does not express an opinion on such interim financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied.

EY (a member firm of Ernst & Young Global Limited) is authorised by the CMB, BRSA, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standard Authority Board to conduct independent audits. The Bank’s financial statements are prepared on a quarterly basis, semi-annual and annual basis in accordance with BRSA.

Dealers transacting with the Issuer

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Dealers, the Arrangers and their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. The Arrangers, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers, the Dealers and their respective affiliates may also make

investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Foreign Text

The language of this Base Prospectus is English. Certain legislative references and technical terms may be cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

The BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34 standards. Among the differences in accounting policies some of the most important are:

Consolidation and equity accounting

Only financial sector subsidiaries and associates are consolidated and equity accounted, respectively, under BRSA Principles, others are carried at cost or fair value.

Specific provisioning for loan losses

BRSA provisioning for loan losses is different from IAS 39 and is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS, provision for loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Furthermore, according to BRSA, collaterals are included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralized financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General loan loss provisioning

This is required under BRSA Principles but prohibited under IFRS.

BRSA requires general loan loss provisions to be calculated over on and off balance sheet financial instruments that carry credit risk using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

Assets held for sale

Definitions and accounting treatment according to BRSA Principles are different from those under IFRS (based on regulations prescribed by the BRSA).

Under BRSA Principles, depreciation of assets held for sale is taken into account for assets with probability of disposal within one year, whereas pursuant to IFRS 5, non-current assets held for sale are classified to this category only if their sale is highly probable and is expected to be completed within one year and they are carried at lower of cost or fair value less cost to sell.

Deferred taxation

Certain differences exist in this area. According to IAS 12, income taxes' deferred taxation is calculated based on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the relevant issuer, whereas under BRSA Principles, it is not permitted to recognise deferred tax on general loan loss provisions.

Application period for hyperinflationary accounting

Under the BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on “risk group” as defined in the Banking Law.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing factoring and leasing services which are subject to specific BRSA policies/requirements.

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