BASE PROSPECTUS

QNB FİNANSBANK A.Ş.
US$5,000,000,000
Global Medium Term Note Programme

QNB Finansbank A.Ş., a Turkish banking institution organised as a public joint stock company registered with the İstanbul Trade Registry under number 237525 (the "*Bank*" or the "*Issuer*") has established this Global Medium Term Note Programme (the "*Programme*"), under which it may from time to time issue notes (the "*Notes*") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or investor(s).

Notes may be issued in either bearer or registered form (respectively, "*Bearer Notes*" and "*Registered Notes*"); *provided* that the Notes may be offered and sold in the United States only in registered form. As of the time of each issuance of Notes under the Programme, the maximum aggregate nominal amount of all Notes outstanding under the Programme will not exceed US$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 from time to time to: (a) one or more of the Dealers specified under "Overview" and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (each a "*Dealer*"), which appointment may be for a specific issue or on an ongoing basis, and/or (b) one or more investor(s) purchasing Notes (or beneficial interests therein) directly from the Issuer.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "RISK FACTORS" FOR A DISCUSSION OF CERTAIN OF THESE RISKS.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "*Securities Act*"), of the United States of America (the "*United States*" or "*U.S.*"), or any other U.S. federal or state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person ("*U.S. person*") as defined in Regulation S under the Securities Act ("*Regulation S*") unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of the United States and any State or other jurisdiction of the United States. See "Form of the Notes" for a description of the manner in which Notes will be issued. For a description of certain restrictions on the sale and transfer of investments in the Notes, see "Transfer and Selling Restrictions." Where the "United States" is referenced herein with respect to Regulation S, such shall have the meaning provided thereto in Rule 902 of Regulation S.

This base prospectus (this "*Base Prospectus*") has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended, the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (the "*EU*") law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "*MiFID II*") and/or that are to be offered to the public in any member state (a "*Member State*") of the European Economic Area (the "*EEA*"). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the "*Official List*") and to trading on its regulated market (the "*Main Securities Market*"). The Main Securities Market is a regulated market for the purposes of MiFID II.

Application has been made to the Capital Markets Board (the "*CMB*") of the Republic of Turkey ("*Turkey*"), in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for its approval of the issuance and sale of Notes by the Bank outside of Turkey. No Notes may be sold before the necessary approvals are obtained from the CMB. The CMB approval relating to the issuance of Notes based upon which any offering of the Notes may be conducted was obtained on 22 May 2017 and, to the extent (and in the form) required by applicable law, a written approval of the CMB in relation to each Tranche (as defined herein) of Notes will be required to be obtained on or before the issue date (the "*Issue Date*") of such Tranche of Notes. The maximum debt instrument amount that the Bank can issue under such approval is US$2,000,000,000 (or its equivalent in other currencies) in aggregate; *provided* that the aggregate outstanding nominal amount of the debt instruments denominated in Turkish Lira issued by the Bank (whether under this approval or otherwise) may not exceed TL 5,000,000,000. It should be noted that, regardless of the outstanding Note amount, unless the Bank obtains new approvals from the Banking Regulation and Supervision Agency (the "*BRSA*") of Turkey and the CMB, the aggregate debt instrument amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed US$2,000,000,000 (or its equivalent in other currencies).

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

Notice of the aggregate nominal amount of a Tranche of Notes, interest (if any) payable in respect of such Notes, the issue price of such Notes and certain other information that is applicable to such Notes will be set out in a final terms document (for a Tranche, its "*Final Terms*"). With respect to Notes to be listed on Euronext Dublin or any other EEA regulated market, the applicable Final Terms will be filed with the Central Bank of Ireland and Euronext Dublin or such other market. Copies of such Final Terms will also be published on the Issuer's website at www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx.

The Programme provides that Notes may be listed and/or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Notes purchased directly from the Issuer by one or more investor(s)) the relevant investor(s) (as set out in the applicable Final Terms). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been rated "BBB-" (for long-term issuances) and "F3" (for short-term issuances) by Fitch Ratings Limited ("*Fitch*") and Notes issued under the Programme are expected to be rated upon issuance "Ba2" (for long-term issuances) and "Not Prime" (for short-term issuances) by Moody's Investors Service Ltd. ("*Moody's*" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited ("*S&P*"), the "*Rating Agencies*"). The Bank has also been rated by Moody's and Fitch as set out on page 130 of this Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the "*CRA Regulation*"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("*ESMA*") on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. Notes may either be rated (including by any one or more of the Rating Agencies) or unrated. Where a Tranche of Notes is rated (other than an unsolicited rating), such rating will be disclosed in the applicable Final Terms and (if rated by Fitch and/or Moody's) will not necessarily be the same as the rating described above. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Arranger

Standard Chartered Bank

Dealers

BNP Paribas	**BofA Merrill Lynch**	**Citigroup**	**Commerzbank**
HSBC	**ING**	**J.P. Morgan**	**Mizuho Securities**
Morgan Stanley	**MUFG**	**QNB Capital**	**Société Générale Corporate & Investment Banking**
	Standard Chartered Bank	**UniCredit**	

The date of this Base Prospectus is 26 April 2018.

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

RESPONSIBILITY STATEMENT

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

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

This Base Prospectus is to be read in conjunction with all documents that are (or portions of which are) incorporated herein by reference (see "Documents Incorporated by Reference"). This Base Prospectus shall be read and construed on the basis that such documents (or the applicable portions thereof) are incorporated into, and form part of, this Base Prospectus.

To the fullest extent permitted by law, neither the Arranger nor any of the Dealers accepts any responsibility for the information contained in (including incorporated by reference into) this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any statement consistent with this Base Prospectus made, or purported to be made, by the Arranger or a Dealer or on its behalf in connection with the Programme and none of the Arranger, the Dealers or the Agents accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Notes. Each of the Arranger and the Dealers accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Arranger and 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 or potential investor in the Notes of any information coming to their attention.

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

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

Neither this Base Prospectus nor, except to the extent explicitly stated therein, any such other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or purchase any Notes (or beneficial interests therein).

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

GENERAL INFORMATION

The distribution of this Base Prospectus and/or the offer or sale of Notes (or beneficial interests therein) might be restricted by law in certain jurisdictions. None of the Issuer, the Arranger or the Dealers represent that this Base Prospectus may be lawfully distributed, or that any Notes (or beneficial interests therein) may be lawfully offered, in any such jurisdiction or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer that is intended to permit a public offering of any Notes (or beneficial interests therein) or distribution of this Base Prospectus, any advertisement or any other material in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction except, in each case, under circumstances that will result in compliance with all applicable laws. Persons into whose possession this Base Prospectus or any Notes (or beneficial interests therein) come(s) must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and/or sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Base Prospectus and the offer and/or sale of Notes (or beneficial interests therein) in (*inter alia*) the United States, the EEA (including the United Kingdom and Belgium), Turkey, Japan, Switzerland, the People's Republic of China (the "*PRC*"), Thailand, Singapore and the Hong Kong Special Administrative Region of the PRC ("*Hong Kong*"). See "Transfer and Selling Restrictions."

This Base Prospectus has been prepared on a basis that would permit an offer of Notes (or beneficial interests therein) with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances in which there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes (or beneficial interests therein) in any Member State that has implemented the Prospectus Directive (each, a "*Relevant Member State*") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes (or beneficial interests therein). Accordingly, any person making or intending to make an offer of Notes (or beneficial interests therein) in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, the Arranger 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. None of the Issuer, the Arranger or any of the Dealers has authorised, nor do they authorise, the making of any offer of Notes (or beneficial interests therein) in circumstances in which an obligation arises for the Issuer, the Arranger or any Dealer to publish or supplement a prospectus for such offer.

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

None of the Arranger, the Dealers, the Issuer or any of their respective affiliates, counsel or other representatives makes any representation to any actual or potential investor in the Notes regarding the legality under any applicable law of its investment in the Notes. Any investor in the Notes should ensure that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes might not be a suitable investment for all investors. Each potential investor contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of that investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment.

In particular, each potential investor in the Notes should 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 applicable Notes, the merits and risks of investing in such Notes and the information contained in (including incorporated by reference into) this Base Prospectus or any applicable supplement hereto,

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

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

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

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

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

The Issuer has obtained the CMB approval (dated 22 May 2017 and numbered 29833736-105.03.01-E.6459 (the "*CMB Approval*")) and the BRSA approval (dated 21 April 2017 and numbered 20008792-101.01[31]-E.6545 (the "*BRSA Approval*" and, together with the CMB Approval, the "*Programme Approvals*")) required for the issuance of Notes under the Programme. The maximum debt instrument amount that the Bank can issue under such approval is US$2,000,000,000 (or its equivalent in other currencies) in aggregate; *provided* that the aggregate outstanding nominal amount of the debt instruments denominated in Turkish Lira issued by the Bank (whether under this approval or otherwise) may not exceed TL 5,000,000,000. It should be noted that, regardless of the outstanding Note amount, unless the Bank obtains new approvals from the BRSA and the CMB, the aggregate debt instrument amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed US$2,000,000,000 (or its equivalent in other currencies). In addition to the Programme Approvals, to the extent (and in the form) required by applicable law, an approval of the CMB in respect of each Tranche of Notes is required to be obtained by the Issuer on or prior to the Issue Date of such Tranche, which date will be specified in the applicable Final Terms. The Issuer will maintain or obtain (as applicable) all authorisations and approvals of the CMB necessary for its offer, sale and issue of Notes under the Programme. Consequently, the scope of the Programme Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time.

Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme have been authorised and approved in accordance with Decree No. 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Turkish Banking Law No. 5411 of 2005, as amended (the "*Banking Law*"), and its related legislation and regulations, the Capital Markets Law and the Communiqué on Debt Instruments No. VII-128.8 of the CMB (the "*Debt Instruments Communiqué*") and its related legislation and regulations. The Notes issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

In addition, in accordance with the Programme Approvals, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey. Under the Programme Approvals, the BRSA and CMB have authorised the offering, sale and issue of Notes on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decisions dated 6 May 2010 (No. 3665) and 30 September 2010 (No. 3875) and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that, for each of clauses (a) and (b), such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and should transfer the purchase price through such licensed banks.

Monies paid for the purchase of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) (the "*SDIF*") of Turkey.

Pursuant to the Debt Instruments Communiqué, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) (trade name: Central Registry İstanbul (*Merkezi Kayıt İstanbul*)) ("*Central Registry İstanbul*") within three İstanbul business days from the applicable Issue Date of a Tranche of Notes of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

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

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled "MiFID II Product Governance" that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes (or beneficial interests therein) are appropriate. In those cases, any person or entity subsequently offering, selling or recommending such Notes (or beneficial interests therein) (a "*distributor*") should take into consideration the target market assessment; *however*, a distributor subject to MiFID II will remain responsible for undertaking its own target market assessment in respect of such Notes (or beneficial interests therein) (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "*MiFID Product Governance Rules*"), any Dealer subscribing for any Notes (or beneficial interests therein) is a manufacturer in respect of such Notes (or beneficial interests therein), but otherwise none of the Arranger, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

INFORMATION RELATING TO THE BENCHMARKS REGULATION

Interest Amounts payable in respect of Floating Rate Notes issued under the Programme might be calculated by reference to the following benchmark reference rates that are provided by the following benchmark administrators (each a "*Benchmark Administrator*"):

Benchmark Reference Rates	Benchmark Administrator
LIBOR	Intercontinental Exchange Benchmark Administration Limited
EURIBOR	European Money Markets Institute (EMMI)
TRLIBOR	Banks Association of Turkey
HIBOR	The Hong Kong Treasury Markets Association
ROBOR	National Bank of Romania
PRIBOR	Czech Financial Benchmark Facility (CFBF)
SIBOR	ABS Benchmarks Administration Co Pte Ltd
NIBOR	Norwegian Financial References AS
WIBOR	The Warsaw Stock Exchange
CNH HIBOR	The Hong Kong Treasury Markets Association

The applicable Final Terms in respect of any Tranche of Floating Rate Notes will specify whether or not the applicable Benchmark Administrator appears on the register of administrators and benchmarks (the "**Register of Administrators**") established and maintained by ESMA pursuant to Article 36 of the EU Benchmarks Regulation (Regulation (EU) 2016/1011) of 8 June 2016 (the "**Benchmarks Regulation**"). As of the date of this Base Prospectus, none of the Benchmark Administrators appear on the Register of Administrators. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that none of the Benchmark Administrators is, as of the date of this Base Prospectus, required to obtain authorisation (or, if non-EU-based, recognition, endorsement or equivalence).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus might be considered to be forward-looking statements. Forward-looking statements include (without limitation) statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates," "estimates," "expects," "believes," "intends," "plans," "aims," "seeks," "may," "might," "will," "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements appear in a number of places throughout this Base Prospectus, including (without limitation) in the sections titled "Risk Factors" and "Business of the Group" and include, but are not limited to, statements regarding:

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

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

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

The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank's management believes that the expectations, estimates and projections reflected in the forward-looking statements in this Base Prospectus are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties inherent in these forward-looking statements materialise(s), including those identified in this Base Prospectus, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, then

the Bank's actual results of operation might vary from those expected, estimated or predicted and those variations might be material.

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

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

U.S. INFORMATION

This Base Prospectus might be submitted on a confidential basis in the United States to a limited number of "qualified institutional buyers" ("*QIBs*") within the meaning of Rule 144A under the Securities Act ("*Rule 144A*") and "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("*Institutional Accredited Investors*") (or, in certain limited circumstances, to persons or entities in the United States who are not U.S. persons) for informational use solely in connection with the consideration of an investment in certain Notes issued under the Programme. Its use for any other purpose in the United States or by any U.S. person is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted by (or on behalf of) the Issuer or a Dealer.

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

The Notes (or beneficial interests therein) generally may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons only if such U.S. persons are either QIBs or Institutional Accredited Investors, in either case in registered form and in transactions exempt from registration under the Securities Act in reliance upon Rule 144A, Section 4(a)(2) of the Securities Act or any other applicable exemption. Each investor in Notes that is a U.S. person or is in the United States is hereby notified that the offer and sale of any Notes (or beneficial interests therein) to it might be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A, Section 4(a)(2) of the Securities Act or (in certain limited circumstances) Regulation S.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter. Each investor in an IAI Registered Note, a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together "*Legended Notes*") will be deemed, by its acceptance or purchase of any such Legended Notes (or beneficial interests therein), to have made certain representations and agreements as set out in "Transfer and Selling Restrictions." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Form of the Notes."

Potential investors that are U.S. persons should note that the Issue Date for a Tranche of Notes may be more than two business days (this settlement cycle being referred to as "T+2") following the trade date of such Notes. Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless otherwise expressly agreed to by the parties at the time of the transaction. Accordingly, investors who wish to trade interests in Notes on the trade date relating to such Notes or the next business day will likely be required, by virtue of the fact that the Notes initially will likely settle on a settlement cycle longer than T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes (or beneficial interests therein) that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in a deed poll dated 26 April 2018 (such deed poll as amended, restated or supplemented from time to time, the "*Deed Poll*") to furnish, upon the request of an investor in such Notes, to such investor or to a prospective purchaser designated by such investor, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes (or beneficial interests therein) to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), of the United States of America, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend titled "Prohibition of Sales to EEA Retail Investors," then such Notes (or beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any EEA Retail Investor. For these purposes: (a) "*EEA Retail Investor*" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in the Prospectus Directive, and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe such Notes (or beneficial interests therein). See "Transfer and Selling Restrictions – Selling Restrictions – Public Offer Selling Restriction under the Prospectus Directive and, where applicable, Prohibition of Sales to EEA Retail Investors" below. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling such Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling such Notes (or beneficial interests therein) or otherwise making them available to any EEA Retail Investors might be unlawful under the PRIIPs Regulation.

STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Dealers (if any) named as the stabilising manager(s) in the applicable Final Terms (each a "*Stabilising Manager*") (or persons acting on behalf of any Stabilising Manager(s)) might over-allot such Notes or effect transactions with a view to supporting the market price of such Notes at a level higher than that which might otherwise prevail; *however*, stabilisation might not necessarily occur. Any stabilisation action or over-allotment might 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, might cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorised by the CMB or are permitted under the Programme.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the BRSA's accounting and reporting regulations, which include the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, other regulations on the accounting records of banks published by the board of the BRSA (the "*BRSB*"), circulars and interpretations published by the BRSA relating to the accounting and financial reporting of banks in Turkey and the requirements of Turkish Accounting Standards (as defined in Condition 5.4) for the matters not regulated by such laws (together, the "*BRSA Accounting and Reporting Principles*;" and financial statements, including any notes thereto and the independent auditors reports thereon, prepared in accordance therewith are referred to herein as "*BRSA Financial Statements*"). The Bank's BRSA Financial Statements are used for determinations of the Bank's and the Group's compliance with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios.

The BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial assets held for trading), financial assets available-for-sale, derivative financial instruments, real estate that is held for the Group's own use and used for investment purposes, equity shares that are traded in an active market (*i.e.*, a stock exchange), which are recorded with their market prices, and equity shares that are not traded in an active market, which are recorded on a historical cost basis less impairment, and (b) loans, investments categorised as held-to-maturity and other financial assets, which are presented at amortised cost. It is important to note that the consolidated BRSA Financial Statements are prepared with the inclusion of only financial subsidiaries whereas other equity participations are recorded on a historical cost basis less impairment (certain information with respect to such subsidiaries can be found in Section Three of the Group's BRSA Financial Statements as of and for the year ended 31 December 2017).

The BRSA Financial Statements and independent auditors' reports thereon incorporated by reference herein have been audited in accordance with the BRSA Accounting and Reporting Principles and the Independent Standards on Auditing. The BRSA Financial Statements for the years ended 31 December 2016 and 2017 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, a member firm of Ernst & Young Global Limited ("*Ernst & Young*"). The audit reports on the BRSA Financial Statements emphasise that: (a) the effect of the differences between the accounting principles summarised in Section 3 thereof and the accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards ("*IFRS*") have not been quantified and reflected in the financial statements, (b) the accounting principles used in the preparation of the financial statements differ materially from IFRS and (c) accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS. See Ernst & Young's reports (or convenience translations in English of such reports originally issued in Turkish) on the applicable BRSA Financial Statements incorporated by reference into this Base Prospectus.

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

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

As required by paragraph 11.1 of Annex IX of Commission Regulation (EC) No. 809/2004, please note that the BRSA Financial Statements incorporated by reference herein have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 and that there might

be material differences in the financial information had Regulation (EC) No. 1606/2002 applied to the historical financial information presented herein. A narrative description of such differences as they apply to the Group has been included in Appendix A ("Summary of Significant Differences Between IFRS and the BRSA Accounting and Reporting Principles").

The Bank utilises several internal definitions of small and medium-sized enterprise ("*SME*") based upon criteria including annual turnover, credit limits and/or average assets under management; *however*, with respect to certain published financial information concerning SMEs, the Bank uses the BRSA definition of SME (as defined in the Regulation on SMEs, their Definitions, Qualifications and Classification published in the Official Gazette dated 18 November 2005, numbered 25997) in order to render such data comparable to that of other Turkish banks. Such BRSA definition of SME includes companies with an annual turnover of less than TL 40 million (the "*BRSA SME Definition*").

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

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

Alternative Performance Measures

To supplement the Bank's consolidated and unconsolidated financial statements presented in accordance with the BRSA Accounting and Reporting Principles, the Bank uses certain ratios and measures included (including through incorporation by reference) in this Base Prospectus that might be considered to be "alternative performance measures" (each an "*APM*") as described in the ESMA Guidelines on Alternative Performance Measures (the "*ESMA Guidelines*") published by ESMA on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

Any APMs included in this Base Prospectus are not alternatives to measures prepared in accordance with the BRSA Accounting and Reporting Principles and might be different from similarly titled measures reported by other companies. The Bank's management believes that this information, when considered in conjunction with measures reported under the BRSA Accounting and Reporting Principles, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under the BRSA Accounting and Reporting Principles, in measuring the Group's performance and comparing it to the performance of its competitors. In addition, because the Group has historically reported certain APMs to investors, the Bank's management believes that the inclusion of APMs in this Base Prospectus provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Accounting and Reporting Principles.

For the Group, measures that might be considered to be APMs in this Base Prospectus (and that are not defined or specified by the BRSA Accounting and Reporting Principles or any other legislation applicable to the Bank) include (without limitation) the following (such terms being used in this Base Prospectus as defined below):

cost-to-income ratio: For a particular period, this is: (a) operating expenses for such period *divided by* (b) net operating income for such period.

deposits to total assets (total deposits including bank deposits): As of a particular date, this is: (a) the total deposits (including bank deposits) as of such date *as a percentage of* (b) total assets as of such date.

loans-to-deposits ratio: As of a particular date, this is: (a) the total loans as of such date *as a percentage of* (b) the total deposits as of such date.

net interest margin: For a particular period, this is: (a) net interest income for such period *as a percentage of* (b) average interest-earning assets during such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

net fees and commissions income as a percentage of average total assets: For a particular period, this is: (a) net fees and commissions income *as a percentage of* (b) average total assets (computed by calculating the average of the quarter-end balances during the relevant reporting period). When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

net operating income as a percentage of average total assets: For a particular period, this is (a) net operating income (computed by calculating the sum of net interest income, net fees and commissions income, dividends from subsidiaries, net trading gains, profit from held-to-maturity securities and other operating income) *as a percentage of* (b) average total assets for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

NPL coverage ratio: As of a particular date, this is: (a) the total loan loss provision as of such date *as a percentage of* (b) the total non-performing loans as of such date.

non-performing loans to total gross cash loans: As of a particular date, this is: (a) the total non-performing loans as of such date *as a percentage of* (b) the total gross cash loans as of such date.

other operating expenses as a % of average total assets: For a particular period, this is: (a) other operating expenses for such period *as a percentage of* (b) average total assets for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

return on average shareholders' equity: For a particular period, this is: (a) the net profit/loss minus minority shares of net profit for such period *as a percentage of* (b) average shareholders' equity excluding minority shares for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

return on average total assets: For a particular period, this is: (a) the net profit/loss for such period *as a percentage of* (b) average total assets for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

specific provisions for loan losses to non-performing loans: As of a particular date, this is: (a) the provisions for probable loan losses as of such date *as a percentage of* (b) the loans as of such date.

specific provisions for loan losses to total loans: As of a particular date, this is: (a) the provisions for probable loan losses as of such date *as a percentage of* (b) the total non-performing loans as of such date.

total loans (net of provisions) to total assets: As of a particular date, this is: (a) the total loans (net of provisions) as of such date *divided by* (b) total assets as of such date.

For any annualised figures calculated for the current year, there can be no guarantee, and the Bank does not represent or predict, that actual results for the full year will equal or exceed the annualised figure and actual results might vary materially.

Reconciliations for the above (to the extent that any of such items are APMs) to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (*e.g.*, where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

The following are definitions of certain terms that are used in the calculations of the terms defined above (such terms being used in this Base Prospectus as such terms are defined below):

average interest-earning assets: For a particular period, this is the average of the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any calendar year, 31 December of the previous year) and each intervening quarter-end date during such period.

average shareholders' equity: For a particular period, this is the average of the amount of shareholders' equity as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any calendar year, 31 December of the previous year) and each intervening quarter-end date during such period.

average total assets: For a particular period, this is the average of the amount of total assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any calendar year, 31 December of the previous year) and each intervening quarter-end date during such period.

interest-earning assets: For a particular date, this is the total amount of the interest-earning portion of cash and balances with central banks, available-for-sale investment securities (net), investment securities held to maturity (net), financial assets at fair value through profit or loss (net), money market placements, loans and receivables, leasing receivables (net) and factoring receivables as of such date.

net interest income: For a particular period, this is total interest income from interest-earning assets during such period *minus* total interest expense on interest-bearing liabilities during such period.

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

(a) "*Turkish Lira*" and "*TL*" refer to the lawful currency for the time being of Turkey,

(b) "*U.S. dollars*," "*US$*" and "*$*" refer to United States dollars,

(c) "*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,

(d) "*Renminbi*" and "*RMB*" refer to the lawful currency of the PRC, which (for the purposes of this Base Prospectus) excludes Hong Kong, the Macao Special Administration Region of the PRC and Taiwan, and

(e) " *Sterling*" and "*£*" refer to pounds sterling.

No representation is made that the Turkish Lira or U.S. dollar amounts in this Base Prospectus could have been or could be converted into U.S. dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see "Risk Factors – Risks Related to the Group's Business – Foreign Exchange Risk."

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

Capitalised terms that are used but not defined in any particular section of this Base Prospectus 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" or "Issuer" means QNB Finansbank A.Ş. on a standalone basis and "Group" means the Bank and its subsidiaries (and, with respect to consolidated accounting information, entities that are consolidated into the Bank).

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

In this Base Prospectus, the term "*law*" shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments and, accordingly, figures shown in the same category presented in different tables might vary slightly and figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that precede them.

All of the information contained in this Base Prospectus concerning the Turkish market and the Bank's competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading "Book-Entry Clearance Systems" has been extracted from information provided by the Clearing Systems referred to therein. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Bank 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 reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other Person.

The language of this Base Prospectus is English. Certain legal 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 laws and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translations of these titles and names are direct and accurate.

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

In the case of the presented statistical information, similar statistics might be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, might 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 in this Base Prospectus regarding the Bank's shareholders has been based upon public filings, disclosure and announcements by such shareholders.

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 and Euronext Dublin, shall be incorporated into, and form part of, this Base Prospectus:

- the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for each of the years ended 31 December 2016 (including comparative financial information for 2015) and 2017,

- the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for the years ended 31 December 2016 (including comparative financial information for 2015) and 2017,

- the terms and conditions of the Notes contained in the previous base prospectus dated 5 February 2014 (on pages 52 to 82 (inclusive)) prepared by the Issuer in connection with the Programme,

- the terms and conditions of the Notes contained in the previous base prospectus dated 27 April 2015 (on pages 65 to 97 (inclusive)) prepared by the Issuer in connection with the Programme,

- the terms and conditions of the Notes contained in the previous base prospectus dated 25 April 2016 (on pages 67 to 99 (inclusive)) prepared by the Issuer in connection with the Programme, and

- the terms and conditions of the Notes contained in the previous base prospectus dated 27 April 2017 (on pages 65 to 97 (inclusive)) prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document (or portions thereof) 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 (or portions thereof) that is incorporated by reference into this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The BRSA Financial Statements incorporated by reference into this Base Prospectus, all of which are in English, were prepared as convenience translations of the Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate).

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

Any documents (or portions thereof) themselves incorporated by reference into the documents incorporated by reference into this Base Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Base Prospectus.

Any statement contained in a document (or a portion thereof) that is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein or in any other document incorporated by reference herein, or in any supplement hereto, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Where there is any inconsistency between the information contained in this Base Prospectus and the information contained in (or incorporated by reference into) the information incorporated by reference herein, the information set out in this Base Prospectus shall prevail.

The information set out in any part of the documents listed above that is not incorporated by reference into this Base Prospectus is either not relevant to prospective investors in the Notes or is set out elsewhere in this Base Prospectus, in each case, subject to and in accordance with the provisions of the Prospectus Directive.

The contents of any website (except for the documents incorporated by reference into this Base Prospectus to the extent set out on any such website) referenced in this Base Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Base Prospectus.

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

OVERVIEW

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

The Bank

General

The Bank is a Turkish private commercial bank that provides banking products and services to retail, corporate, commercial and SME banking and other customers through a network of branches operating in major cities throughout Turkey. As of 31 December 2017, according to the most recent statistics published before the date of this Base Prospectus on the Public Disclosure Platform (*Kamuyu Aydınlatma Platformu*) (www.kap.gov.tr) ("*Public Disclosure Platform*"), the Bank was the fifth largest private bank in Turkey in terms of Bank-only total assets with TL 125.9 million total assets. The Bank is a subsidiary of Qatar National Bank ("*QNB*"), which purchased a 99.81% stake in the Bank from the National Bank of Greece ("*NBG*") on 15 June 2016 pursuant to a share purchase agreement (the "*Share Purchase Agreement*"). In accordance with the Communiqué No. II-27.2 on Squeeze-Out and Sell-Out Rights (the "*Communiqué*"), the shareholders of the Bank (other than QNB) had a right to sell their shares in the Bank to QNB within a three month period starting on 16 June 2016. At the end of such period, as of 16 September 2016, 99.88% of the shares of the Bank were owned by QNB and the remaining shares were traded on the Borsa İstanbul.

Since its initial entry to the Turkish banking market in 1987, the Bank has grown its branch network significantly. The Bank's branch network increased from 309 branches as of 31 December 2006 to 580 branches as of 31 December 2017. As of such date, the Bank's branch network consisted of 559 full-service branches, 13 retail-only branches, four corporate-only branches and four commercial-only branches located in 42 commercial centres in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya. The Bank also has a branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain. Following significant investment in its branch network, the Group now aims to maintain the number of its branches at approximately the current levels. The Group, through the Bank and its subsidiaries and other affiliates, also undertakes leasing, factoring, insurance and investment banking activities. As of 31 December 2017, the Group had total assets of TL 131.2 billion, loans and receivables of TL 82.4 billion, total deposits of TL 67.5 billion and total equity of TL 12.4 billion.

In addition to its branch network, the Group has made significant investments in alternative delivery channels such as automated teller machine ("*ATM*") and point-of-sale ("*POS*") networks, internet banking, mobile banking and a call centre. In October 2012, the Group launched Enpara.com, an online banking platform designed to provide banking and payment services to retail customers in Turkey without the use of any physical branches. Since its establishment, Enpara.com has grown its registered customer base from 18,000 customers to over 884,000 customers as of 31 December 2017, with 76.0% of such customers not having been pre-existing customers of the Group.

The Group has three main business segments: retail banking, SME banking and corporate and commercial banking, additional information about each of which is provided below:

- *Retail Banking*. The Group's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits, investments and insurance products. The Group's offerings to retail customers are divided into three main further sub-groups: (a) private banking, which serves individuals with liquid assets under management exceeding TL 750,000 through customised service offerings, (b) the affluent segment, which serves individuals with assets under management between TL 100,000 and TL 750,000, offering features such as dedicated relationship managers and a diverse set of banking and non-banking services and benefits and (c) the mass market segment with a wide variety of products and services. Retail banking has been one of the principal drivers of the Group's growth during recent years. As

of 31 December 2017, the Group had approximately 4.0 million retail banking customers (excluding credit card customers) and performing retail loans and receivables (including mortgage, credit card and consumer loans (which comprise personal need loans, overdrafts and auto loans)) of TL 26.5 billion, representing 32.2% of the Group's performing loans and receivables (representing total gross loans, including financial assets at fair value through profit and loss, *minus* specific provisions).

- *SME Banking*. The Bank's SME banking activities consist primarily of revolving credit lines, instalment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The SME banking segment consists of: (a) Agricultural Banking, (b) SME Banking Small Enterprises, which serves enterprises with annual revenues of up to TL 4.0 million, and (c) SME Banking Medium Enterprises, which serves enterprises with annual revenues between TL 4.0 million and TL 40.0 million. In recent years, SME banking has represented an increasingly important part of the Group's overall loan portfolio. As of 31 December 2017, the Group's SME banking operations had more than 387,000 active customers and performing loans and receivables of TL 25.4 billion, representing 31.0% of the Group's performing loans and receivables.

- *Corporate and Commercial Banking*. The Group's corporate and commercial banking activities primarily consist of traditional and non-cash lending, project and structured finance, trade finance, cash management, corporate syndication, secondary market transactions, deposit taking and certificated debt instruments. The corporate and commercial banking segment consists of: (a) corporate banking, which serves large businesses (including multinational corporations), and (b) commercial banking, which serves enterprises with annual revenues between TL 20.0 million and TL 300.0 million. As of 31 December 2017, the Group's corporate and commercial banking operations had approximately 12,100 customers and performing loans and receivables of TL 30.1 billion, representing 36.4% of the Group's performing loans and receivables.

The Group also undertakes leasing, factoring, insurance and investment banking activities through its subsidiaries and other affiliates. The Bank's registered office is located at Esentepe Mahallesi, Büyükdere Cad., Kristal Kule Binası, No:215, Şişli, İstanbul, Turkey, telephone number +90-212-318-5155. Its registration number is 237525.

Key Strengths

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

- *Versatile platform enabling the Group to take advantage of strategic opportunities*. Since its establishment in 1987, the Group has grown into a full-service financial institution with an independent management team and an extensive nationwide distribution network serving approximately 5.3 million active customers as of 31 December 2017. This extensive distribution network, combined with the Group's focus on traditional banking activities and complemented by the provision of ancillary services (including investment banking, brokerage, leasing, factoring and asset management) and important partnerships with leading financial institutions (*e.g.*, a partnership with Sompo in basic insurance and with Cigna in life insurance and private pensions), have allowed the Group to maintain a strong competitive position across all of its key customer segments. The Group also has been able to refocus its operations in response to changes in the Turkish banking regulatory environment in recent years. For example, between 2005 and 2011, the Turkish banking sector experienced a significant increase in retail lending (particularly in higher-yielding segments such as credit cards and consumer lending), largely due to strong domestic demand driven by relatively low interest rates and strong micro fundamentals. During this period, the Group significantly increased the size of its retail banking network (both in terms of branches and other distribution channels, such as ATMs) and the ratio of its retail loans to performing loans and receivables, on a Bank-only basis, grew from 33.8% as of 31 December 2005 to 61.2% as of 31 December 2011. During the same period, the ratio of retail loans to performing loans and receivables for Türkiye İş Bankası A.Ş. ("*İşbank*"), Türkiye Garanti Bankası A.Ş. ("*Garanti*"), Akbank T.A.Ş. ("*Akbank*") and Yapı ve Kredi Bankası A.Ş. ("*Yapı Kredi Bank*" and, together with İşbank, Garanti and Akbank, the "*Private Sector*

Peers") was 35.2% in 2005 and 32.4% in 2011 according to the BRSA. Beginning in 2012, Turkey's widening current account deficit prompted regulatory authorities to take measures to curb retail lending and encourage business lending in order to reduce imports and grow exports. These measures included, among other things, increasing general reserve requirements for retail loans, increasing the risk-weighting for consumer loans in calculating capital adequacy ratios and introducing regulations to limit the growth of credit card usage, as well as reducing the general reserve requirements for cash and non-cash loans obtained by SMEs for export purposes. In response to these measures, the Group has been successfully shifting the concentration of its loan portfolio from retail lending to SME and corporate lending. As of 31 December 2017, 67.7% of the Bank's performing loans and receivables were to SME and corporate and commercial customers, compared to 64.7% and 61.7% as of 31 December 2016 and 2015, respectively. The Group has been able to shift its loan portfolio more towards SME and corporate and commercial lending by: (a) opening new branches and maintaining the existing branches that provide SME services, (b) refocusing certain of its human and other resources to serve SME and corporate and commercial customers, (c) engaging in targeted marketing efforts and using its proprietary credit underwriting framework and behaviour monitoring tools to increase market share and (d) launching new products and utilising new technologies to maximise the customer experience of SME and corporate and commercial clients. The Bank's management believes that its size and the structure of its operations enable it to move more quickly to capitalise on such changes in the market than is possible for many other Turkish banks.

- *Strong capital position and diversified sources of funding*. The Group has a strong capital position and, as of 31 December 2017, had a common equity Tier 1 ("*CETI*") ratio of 12.3%, which is well above the BRSA's regulatory minimum CETI ratio of 4.5% (based upon Basel III as adopted by the BRSA), and a total capital adequacy ratio of 15.0%, which exceeded the total capital adequacy ratios of each of the Group's Private Sector Peers. The Bank's leverage ratio was 6.2% as of 31 December 2017, in comparison to the average leverage ratio of its Private Sector Peers, which was 8.5%. The Bank's management believes that its strong capital position has supported its ability to attract deposits and diversify its sources of funding. The Bank has demonstrated strong deposit growth, with an increased emphasis on demand deposits, which typically have a lower cost of funding than time deposits and that, from 31 December 2013 to 31 December 2017, have grown at a compound annual growth rate ("*CAGR*") of 15.3% compared to an average of 15.8% for the Group's Private Sector Peers during the same period according to their BRSA financial statements. The Bank's loans-to-deposits ratio has grown to 120.9% as of 31 December 2017 (compared to an average of 114.2% for its Private Sector Peers according to their BRSA financial statements). The Group has also entered into long-term financings in the form of syndicated loans and eurobond issuances, among other transactions, to match the medium- to long-term nature of its loan and investment portfolio. Institutional borrowings (including bank deposits, funds borrowed, money market transactions, marketable securities issued and subordinated loans) constituted 29.0% of the Bank's overall liabilities as of 31 December 2017, compared to an average of 26.6% for the Group's Private Sector Peers as of the same date according to their BRSA financial statements.

- *Sophisticated risk management tools*. A prudent credit risk management practice is instilled at every stage of the Group's credit process. At the origination stage, clients are approved on the basis of scorecards for credit card, consumer and SME segments, and approval score cut-off points are constantly being monitored and revised if necessary depending upon macroeconomic conditions. From the origination stage onwards, credit quality is monitored closely on an on-going basis via behavioural scorecards, and necessary actions are taken depending upon the changes in behavioural scores. As described elsewhere in this Base Prospectus, the Group also employs a conservative provisioning policy with a non-performing loan ("*NPL*") coverage ratio of 81.5% as of 31 December 2017 compared to an average of 81.5% for the Group's Private Sector Peers as of the same date according to their BRSA bank-only financial statements. In addition to managing credit risk, the Group actively utilises hedging instruments to protect itself from currency and maturity mismatches.

- *Innovative distribution channels and technology platform*. The Bank's management believes that, from the Group's inception, it has been at the forefront of innovation in banking products and services in Turkey. For example, in 1999 the Bank was the first Turkish bank to introduce a credit card with an instalment structure. More recently, the Bank was the first in Turkey to establish a pure online banking model (EnPara.com) under its umbrella, which website serves a more affluent and technologically savvy client

base who are more expensive to serve under the traditional branch business model. On the technological front, the Group serves its customers through state-of-the-art alternative delivery channels, including internet and telephone banking platforms that utilise cutting edge technologies such as client-recognising interfaces. From 31 December 2012 to 31 December 2017, the number of the Group's internet and mobile banking customers (consisting of all customers with at least one successful log-in and completed transaction within the prior three-month period but excluding customers from Enpara.com) increased from 663,000 to 2,166,281 and, as of 31 December 2017, represented 37.5% of the Group's total customers. This innovation is a necessary component of enabling the Group to maintain close relationships with its customers and compete successfully.

- *Growth in targeted customer segments.* Since 2005, the Group has targeted growth in selected customer segments that its management regarded to be more profitable than other segments. For example, during the rapid growth in the Turkish retail banking sector from 2005 to 2011, the Bank increased its market share in credit cards, mortgages, personal need loans (excluding overdrafts) and retail deposits at CAGRs of 37.6%, 35.9%, 75.6% and 30.1%, respectively, according to the BRSA. Over the same period, the Bank's market share (as a percentage of the total banking sector) grew from 6.9% to 14.2% in credit cards, 7.5% to 8.2% in mortgages, 1.3% to 5.1% in personal need loans and overdrafts and 2.7% to 5.0% in retail deposits. The Group's focus on higher-yielding segments of the retail lending market allowed it to outperform its Private Sector Peers during this period, on average and on a BRSA bank-only basis, in terms of pre-tax net return on assets, net operating income as a percentage of average total assets, risk-adjusted net operating income as a percentage of average total assets and net fees and commissions income as a percentage of average total assets.

  Following the shift in the regulatory environment towards SME and corporate and commercial lending, the Group has utilised its extensive distribution network and strong focus on customer service to increase its footprint in SME loans, commercial instalment loans and business demand deposits, which grew, on a Bank-only basis, at CAGRs of 16.4%, 22.3% and 22.8%, respectively, from 31 December 2015 to 31 December 2017. The Bank has also benefitted from the government announcement in December 2016 that the Undersecretariat of Treasury will provide a guarantee for SME loans up to an aggregate amount of TL 250 billion via the Credit Guarantee Fund (*Kredi Garanti Fonu*), which aims to boost economic growth, support companies with high potential that have difficulty accessing funding due to collateralisation constraints. In particular, the Bank has benefited from the funding of loans guaranteed by the Credit Guarantee Fund during the first half of 2017, nearly doubling its loans granted with the support of Credit Guarantee Fund guarantees from TL 6.55 billion to TL 12.18 billion between 31 March 2017 and 30 June 2017, although such growth decelerated in the second half of 2017. SME and corporate and commercial banking customers have also been an important component of the Group's demand deposit base, representing 49.9% of the Group's Turkish Lira-denominated demand deposits as of 31 December 2017, compared to 47.8% as of 31 December 2016.

- *Experienced management team.* The Group benefits from an experienced and committed executive management team that has successfully delivered the Group's growth initiatives and will continue to drive future strategy. The key members of the Group's senior management have served the Group, on average, for 11 years as of the date of this Base Prospectus, which demonstrates a commitment to the Group and results in continuity in senior management, providing an invaluable asset to the Group. In addition, the Group's senior managers have, on average, 25 years of experience in the financial services and related industries, both in Turkey and abroad.

Strategy

The Bank's overall strategy is to establish a leading position in the Turkish banking market, in terms of return on average total assets, while focusing more heavily on its SME and corporate and commercial banking businesses. To this end, the Group aims to build lifelong and successful partnerships with all of its stakeholders through understanding and fulfilling their needs. The key elements of the Group's strategy are set out below:

- *Grow the loan book, primarily across the SME and corporate and commercial segments.* The Group intends to increase the size of its loan book by focusing on growth in its SME and corporate and commercial loan portfolio, while selectively growing its retail loan portfolio. The Group has shifted its primary focus since 2012 to its SME and corporate and commercial banking segments, where it aims to capture additional market share over the medium term. The Group's management believes that there is a significant opportunity to continue to increase its market share in SME and corporate and commercial banking and aims to continue to achieve above-market growth in its SME and corporate and commercial loan business. To achieve this objective, the Group has focused on higher-quality service for its customers. For example, product and service lines previously serving SME businesses in various segments and divisions of the Group were combined into one division, with the marketing and sales activities of these segments streamlined to more effectively apply best practices and focus on growing the Group's SME banking activities. In the corporate and commercial business segment, the Group has made organisational changes such as branch specialization and centralization of operational tasks in an effort to boost cost effectiveness, sales effectiveness and customer service. The Group has made significant progress in executing this aspect of its strategy. The Bank's year-on-year growth rate of its business loans was 16% and 38.0% for 2016 and 2017, respectively, which compares to 18.7% and 17.0% for its Private Sector Peers for the same periods according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). On a BRSA bank-only basis, the Group's market share in the SME and corporate and commercial loan markets as of 31 December 2017 were 5.4% and 2.7%, respectively, and the Bank's branches represent 5.5% of all bank branches in Turkey. As of 31 December 2017, the Group had TL 55.4 billion in SME and corporate and commercial performing loans and receivables, compared to TL 40.0 billion as of 31 December 2016 and TL 34.7 billion as of 31 December 2015. As of 31 December 2017, the Group's SME banking and corporate and commercial loans per branch on a BRSA bank-only basis amounted to an average of TL 95.6 million, compared to an average of TL 154.2 million for the Group's Private Sector Peers according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr).

- *Increase net operating income through the maturing of the branch network and its alternative delivery channels, including Enpara.com.* From 31 December 2010 to 31 December 2017, the size of the Group's total branch network increased by 77 branches. Having invested heavily in its branch network over several years through 2013, the Group has more recently aimed to maintain the number of its branches at approximately the current levels. In 2017, the number of the Group's branches was reduced by 50 branches as a result of routine and on-going analysis to optimise branch locations. The Group's average branch age (11.0 years as of 31 December 2017) is low compared to its Private Sector Peers (average branch age of 25.5 years as of 31 December 2017 according to statistics published by the Banks Association of Turkey). Based upon the observed performance of a subset of the Group's branches (with an average age of less than 10.9 years as of 31 December 2017), the Group's management expects the newer branches to generate more deposits and loans per branch as they mature. In addition to supporting its branch network, the Group intends to continue to increase its investments in alternative delivery channels, particularly in mobile banking and internet-based channels. The Group's management also intends to increase the volume of products and services offered through Enpara.com, which began offering relatively small loans at competitive interest rates in August 2014.

- *Continue to reduce cost of risk.* Since 2012, the Group has shifted the composition of its loan book towards SME and corporate and commercial loans and reduced its exposure to retail loan products. As of 31 December 2017, the ratio of the Group's performing loans and receivables from credit cards, mortgages, SME loans and corporate and commercial loans to the total performing loans and receivables was 13.2%, 6.9%, 31.0% and 36.7%, respectively, compared to 15.1%, 8.2%, 30.4% and 34.3%, respectively, as of 31 December 2016. The Bank's management expects the change in the composition of the loan book to lead to a lower cost of risk and a relatively lower level of additional provisions going forward. As of 31 December 2017, the specific cost of risk for SME loans and corporate and commercial loans was 2.1% and 0.8%, respectively, and 2.6% and 1.1% for credit cards and consumer loans, respectively. As of the same date, the Bank's general provisions rate was 0.5% for SMEs and 1.0% for corporate and commercial loans compared to 0.4% for each of credit cards and general purpose loans.

- *Continue to focus on cost efficiency.* The Group intends to build upon existing cost management policies and initiatives by maintaining its strong focus on cost control and seeking ways to optimise its costs. This focus will be driven by the increase in the Group's scale of operations while aiming to eliminate any inefficiency that may arise as the number of the Group's customers increases. The Group intends to maintain its current number of branches and focus on increasing the productivity of its existing branch network as measured by customer deposits, gross loans and profit per branch. A particular focus is being made to decrease the ratio of operating expenses to total assets through the development of the Bank's newer branches to produce results similar to those demonstrated by the Bank's more established branches. The Group intends to further promote cost efficiency and lower operating expenses by reducing its sales network personnel and increasing the number of loans managed per sales person. The Group expects to achieve this in part due to the relatively lower servicing costs associated with SME and corporate and commercial loans compared to retail credits. The Group's business banking segment also has a higher number of products per customer (3.7 as of 31 December 2017) when compared with the retail segment (3.2 as of 31 December 2017). For 2015, 2016 and 2017, the Group's other operating expenses (which excludes personnel costs but includes, *inter alia*, operational lease related expenditures, repair and maintenance expenses and advertising and promotional expenses), which amounted to TL 914.3 million, TL 968.0 million and TL 1.1 billion, respectively, increased in line with inflation.

- *Maintain diversified sources of funding and a strong capital base.* The Group seeks to maintain its loans-to-deposits ratio (plus its Turkish Lira-denominated bonds) at or around current levels (120.9% as of 31 December 2017 on a Bank-only basis, (compared to an average of 114.2% as of 31 December 2017 for its Private Sector Peers on a bank-only basis, according to their BRSA financial statements). The Bank expects to maintain its CETI ratio above 12.3% (on a BRSA Bank-only basis), which is well above the current required threshold (*i.e.*, 4.5%) established by the BRSA.

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

The Programme

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Conditions of any particular Tranche of Notes, the applicable Final Terms. The summary only relates to the types of Notes that are currently described in full in this Base Prospectus in accordance with Commission Regulation 809/2004. Other types of Notes can be issued by the Issuer under the Programme, and where any such Notes are: (a) admitted to trading on the Main Securities Market or another regulated market for the purposes of MiFID II or (b) offered to the public in the EEA in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

The following 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.

Issuer:	QNB Finansbank A.Ş.
Issuer Legal Entity Identifier (LEI):	789000Q21SW842S9IJ58
Description:	Global Medium Term Note Programme
Arranger:	Standard Chartered Bank (the "*Arranger*")
Dealers:	BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities plc Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International plc MUFG Securities EMEA plc QNB Capital LLC Société Générale Standard Chartered Bank UniCredit Bank AG and any other Dealer(s) appointed in accordance with the Programme Agreement.
Risk Factors:	There are certain factors that might affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain risk factors that are material for the purpose of assessing the market risks associated with the Notes. For a discussion of certain risk factors relating to Turkey, the Bank and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, including certain risks related to the structure of particular Series of Notes and certain market risks, see "Risk Factors."
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances that comply therewith (see "Subscription and Sale" and "Transfer and Selling Restrictions"), including the following restriction applicable at the date of this Base Prospectus:

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

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

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

Programme Size: ..... Up to US$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding as of the time of each issuance of Notes under the Programme. 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: ..... Each Series of Notes may be denominated in euro, Sterling, U.S. dollars, RMB, yen, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s) or investor(s) and set out in the applicable Final Terms.

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

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

Maturities: ..... Each Series of Notes will have such maturity as may be agreed between the Issuer and the relevant Dealer(s) or investor(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: ..... Notes will be issued on a fully-paid basis and may be issued at an issue price that is at par or at a discount to, or premium over, par (for each Note, its "*Issue Price*").

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

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

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

Floating Rate Notes: ..... Each Series of Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of Notes of the relevant Series),

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service, or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s) or investor(s).

The margin (if any) relating to a Tranche of Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) or investor(s). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction (as such term is used in Condition 6.6), as set out in the applicable Final Terms.

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

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

Denomination of Notes: ..... Each Series of Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) and set out in the applicable Final Terms, except that the minimum denomination of each Note will be: (a) such minimum amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any applicable laws or regulations and (b) equal to, or greater than, €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as of the applicable issue date).

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

Taxation; Payment of Additional Amounts: ..... All payments in respect of the Notes and Coupons by or on behalf of the Bank will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*") imposed or

	levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction. See "Taxation – Certain Turkish Tax Considerations" and "Terms and Conditions of the Notes – Condition 9.1."
	All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 7.1; *it being understood* that, in accordance with Condition 9.1, no additional amount will be payable by the Bank in respect of any such withholding or reduction. See "Terms and Conditions of the Notes – Condition 9."
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Certain Covenants:	The Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that the Bank agrees to certain covenants, including covenants limiting transactions with affiliates. See "Terms and Conditions of the Notes – Condition 5."
Events of Default:	The Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that the Notes will be subject to certain Events of Default including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "Terms and Conditions of the Notes – Condition 11."
Status of the Notes:	The Notes and any relevant Coupons will (except to the extent provided otherwise in the applicable Final Terms) be senior, direct, unsubordinated and (subject to the negative pledge in Condition 4) unsecured obligations of the Bank and rank and will rank *pari passu*, without any preference among themselves, with all outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Notes will be issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law and the Debt Instruments Communiqué.
Rating:	The Programme has been rated "BBB-" (for long-term) and "F3" (for short-term) by Fitch and Notes are expected to be rated upon issuance "Ba2" (for long-term) and "NP" (for short-term) by Moody's. Series of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating (if any) assigned to the Programme by the relevant rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), a "plan" as defined in and subject to Section 4975 of the Code or any entity whose underlying assets are deemed to include "plan assets" of any of the foregoing plans or arrangements. See "Certain Considerations for ERISA and Other U.S. Employee Benefit Plans."
Listing:	An application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months after the date of this Base Prospectus to be admitted to its Official List and trading on the Main Securities Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or investor(s). Notes that are neither listed nor admitted to trading on any market may also be issued. The Final Terms for a Tranche will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).

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

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

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

RISK FACTORS

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

In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors in the Notes should also read the detailed information set out elsewhere in (or incorporated by reference into) this Base Prospectus and reach their own views prior to making any investment decision relating to the Notes; however, the Issuer does not represent that the risks set out herein are exhaustive or that other risks might not arise in the future. Prospective investors in the Notes should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Notes.

Risks Related to Turkey

Most of the Group's operations are conducted, and substantially all of its customers are located, in Turkey. In addition, much of the business of the Group's non-Turkish subsidiaries is related to Turkey. Accordingly, the Group's ability to recover on loans, and its business, financial condition and results of operations, are substantially dependent upon the political and economic conditions prevailing in Turkey.

Political Developments – Political developments in Turkey might negatively affect the Group's business, financial condition, results of operations and/or prospects

Negative changes in the government and/or political environment, including the inability of the Turkish government to devise or implement appropriate economic programmes, might adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Unstable coalition governments have been common, and Turkey has had numerous, short-lived governments, with political disagreements frequently resulting in early elections, which has resulted in political and economic uncertainty.

Elections held on 7 June 2015 resulted in no party receiving a majority of the members of parliament. The parties with seats in parliament could not form a coalition within the period provided in the Turkish Constitution and, as a result, early elections were held on 1 November 2015. In this election, the Justice and Development Party (*Adalet ve Kalkınma Partisi* ("*AKP*")) received approximately 49% of the vote and a significant majority of the members of parliament, thus enabling it to form a single-party government. On 5 May 2016, the Central Executive Board of the AKP decided to hold an extraordinary convention on 22 May 2016, in which the AKP elected Mr. Binali Yıldırım as the new chairman of the AKP and the new prime minister of Turkey. The events surrounding future elections and/or the results of such elections might contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of Turkey's financial institutions, and Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Perceptions of political risk have also increased as a result of increased violence in Turkey, including relating to terrorist attacks (see "-Terrorism and Conflicts"), the AKP's intention to create an executive presidency and media reporting.

On 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. On 20 July 2016, the government declared a three month state of emergency in the country, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic

order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months; *however*, this period may be extended. As of the date of this Base Prospectus, the state of emergency has been extended seven times (most recently in April 2018) for additional three month periods pursuant to Article 121 of the Turkish Constitution and might be further extended.

Following the coup attempt, the government has initiated legal proceedings against numerous institutions (including schools, universities, hospitals, associations and foundations), some of which were closed down and their assets and receivables were seized, and arrested, discharged or otherwise limited thousands of members of the military, the judiciary and the civil service, restricted media outlets and otherwise taken actions in response to the coup attempt, including expansion of these actions to members of the business community and journalism sector. As of the date of this Base Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws. Further investigations and arrests and/or the continuation of the state of emergency might impact the ability of the Group's customers to meet their obligations to the Group. Although, through the date of this Base Prospectus, the Group's operations have not been materially affected by the attempted coup, the political and social circumstances following the attempted coup, its aftermath (including rating downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), Turkey's relationships with the EU, the United States and/or other jurisdictions, Turkey's institutions (including as a result of arrests, suspension or dismissal of a number of individuals working in the public sector) and regulatory framework, the Bank's and/or the Group's business, liquidity, results of operations and/or conditions (financial or otherwise) and/or the value and/or market price of an investment in the Notes.

On 4 November 2016, several members of the Turkish parliament from the People's Democracy Party (*Halkların Demokratik Partisi*) (*HDP*)), including its two then co-leaders, were arrested.

In a referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including to extend the powers of the president. Accordingly (*inter alia*): (a) the current parliamentary system will be transformed into a presidential one, (b) the president will be entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister will be abolished, (d) the parliament's right to interpellate (*i.e.*, the right to submit questions requesting explanation regarding an act or a policy) the cabinet members will be annulled and (e) the president will have increased powers over the selection of members of the Board of Judges and Prosecutors (as of the date of this Base Prospectus, the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*)). It is unclear, as of the date of this Base Prospectus, what impact such structure might have on Turkish government institutions and Turkey's international relations. On 18 April 2018, Turkey's President Erdoğan announced that parliamentary and presidential elections will be held early on 24 June 2018 instead of November 2019. As such, political uncertainty is likely to continue.

There has also been recent political tension between Turkey and certain members of the EU and the United States. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy and officials of the EU and certain of its member states have since made various references about the suspension of negotiations for Turkey's potential membership in the EU. This decision might result in (or contribute to) a deterioration of the relationship between Turkey and the EU.

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey responded by issuing a statement that restricted the visa application process for United States citizens. While visa services have since resumed to normal, relations between the two countries remain strained on various topics, including the conviction of an executive of state-controlled bank Türkiye Halk Bankası A.Ş. ("*Halkbank*") who in early January 2018 was found guilty in a United States federal court of bank fraud and conspiracy to violate U.S. sanctions laws in relation to an alleged conspiracy to assist Iran to evade U.S. sanctions. As of the date of this Base Prospectus, the final outcome in relation to the matters giving rise to the conviction, including any appeal and whether any sanction, fine or penalty will be imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury ("*OFAC*") on Halkbank or any other Turkish bank or person in connection with those matters, as well as the possible reaction of the Turkish government to any such events or speculation regarding such events, is unknown. These events and/or other political circumstances might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have a material adverse

effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Notes.

In addition, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions might increase perceptions of political conflict or instability. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Notes.

Turkish Economy – The Turkish economy is subject to significant macroeconomic risks

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

Since the implementation of fiscal and monetary measures in 2009, Turkey's gross domestic product ("*GDP*") has been growing, albeit having lost some momentum in 2016 (source: Turkstat). In September 2017, the government announced a three year medium-term economic programme from 2018 to 2020. Under this programme, the government set GDP growth targets of 5.5% for each year, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. There can be no assurance that these targets will be reached, that the Turkish government will implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy, the current account deficit and macroeconomic and political factors, such as changes in oil prices, the 5 December 2017 amendment to tax laws increasing the corporate tax rate for all corporations (including the Issuer) to 22% from 20% for three years starting from 2018, uncertainty related with the conflicts in Iraq and Syria (see "-Terrorism and Conflicts") and uncertainty related with political developments in Turkey, including the failed coup attempt on 15 July 2016 and its aftermath and the referendum held on 16 April 2017 according to which the majority of the votes cast approved the extension of the powers of the president (see "-Political Developments"). Any of these developments might cause Turkey's economy to experience macroeconomic imbalances, which might impair the Group's business strategies and/or have a material adverse effect on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "-Global Financial Crisis and Eurozone Uncertainty" below and the discussion of certain of the Central Bank's policies in "- HighCurrent Account Deficit" below.

The Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of, among other factors, a reduction in the level of economic activity, further depreciation of the Turkish Lira, inflation or an increase in domestic interest rates, then this might increase the number of the Group's customers who might not be able to repay loans when due or meet their other obligations to the Group or who might otherwise seek to restructure their loans, which would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and reduce its net profit/loss and capital levels. See "- Counterparty Credit Risk" below. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in the demand for the Group's services and products. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Any monetary policy tightening of the U.S. Federal Reserve, the Bank of Japan and/or the ECB, or any other increase in market interest rates, particularly if it is more accelerated than expected, might have an adverse impact on Turkey, including on Turkey's external financing needs, and might reduce the availability of and/or increase the cost of funding to the Turkish banking sector.

Should Turkey's economy experience macroeconomic imbalances, it might have a material adverse impact on the Group's business, financial condition and/or results of operations.

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

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has historically been one of the potential risks associated with an investment in Turkish securities. Regional instability has also resulted in an influx of displaced persons in Turkey, which has created certain conflicts and humanitarian challenges. In recent years, political instability has at times increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Iraq, Jordan, Bahrain and Yemen. Unrest in those countries might have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East, North Africa and Eastern Europe and might experience material negative effects. Any of such circumstances might adversely affect the Group's business, financial condition and/or results of operations.

The ongoing conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, which authorisation has been periodically extended. Elevated levels of conflict have arisen in Iraq and Syria as militants of the Islamic State of Iraq and Syria ("*ISIS*") seized control of areas in Iraq and Syria, which has caused a significant displacement of people. Turkey has been one of the countries that have taken a significant number of Syrian refugees, which has had, and might continue to have, a negative economic, political and social impact on Turkey. In March 2016, Turkey signed an agreement with the EU in an effort to control the irregular flow of refugees from Turkey to the EU; *however*, such agreement might not be implemented in accordance with its terms, if at all. In August and September 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria. The volatile situation in Iraq also raise concerns as Iraq is one of Turkey's largest export markets. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against ISIS in Syria and against the People's Congress of Kurdistan (the "*PKK*") (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States) in northern Iraq. Since July 2015, Turkey has been subject to a number of bombings, including in tourist-focused centres in İstanbul and in the city centre in Ankara, which have resulted in a number of fatalities and casualties. On 28 June 2016, a terrorist attack occurred at the Atatürk Airport in İstanbul, resulting in 45 fatalities and over 230 injured persons. Such incidents have increased in frequency and are likely to continue to occur periodically.

On 24 August 2016, Turkey began military operations in Syria in an effort to clear ISIS from the Turkish-Syrian border. On 7 October 2017, Turkey launched an operation against extremists groups in Syria's northwestern Idlib province with Turkey-backed Syrian opposition forces. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey believes to be terrorist organisations such as the YPG (the People's Protection Units), which has been aligned with the United States in the fight against ISIS. As of the date of this Base Prospectus, the Turkish military maintains a position in northwestern Syria. These operations might lead to potential retaliation attacks by terrorist groups and additional security risks in Turkey. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria over a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, which strikes escalated tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation as an appropriate response to the suspected chemical attack. Any similar events in the future might result in (or contribute to) a deterioration of the relationship between Turkey and the United States or Russia and might have a negative impact on the Turkish economy.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which resulted in a deterioration in the relationship between Turkey and Russia and led to Russia implementing economic sanctions against Turkey; *however*, at the end of June 2016, the relationship between Turkey and Russia started to improve. On 19 December 2016, a Turkish policeman murdered the Russian ambassador to Turkey. While both Turkish and Russian leaders condemned the attack as a provocation aimed to undermine relations between the two countries, any deterioration of Turkey-Russia relations might have a material adverse effect on the Group's business, financial condition and/or results of operations and on the market price of an investment in the Notes.

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 Russia's annexing of the Crimea combined with Ukraine's very weak economic conditions to create significant uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, persons and sectors, including Russian financial, oil and defense companies, as a result of the conflict. While not directly impacting Turkey's territory, these disputes might materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups as well as other political unrest within its territory. In particular, Turkey has been in conflict for many years with the PKK. Turkey has from time to time been the subject of terrorist bomb attacks, including bombings in its tourist and commercial centres in İstanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces. In July 2015, following a suicide bomb attack in a Turkish town at the Syria border, Turkey started air strikes against the PKK in northern Iraq, which marked the beginning of a period with elevated tension. The PKK has since been suspected of further bombings in Turkey, and the clashes between Turkish security forces and the PKK have intensified in the southeastern part of Turkey. The conflict with the PKK might negatively impact political and social stability in Turkey.

The above circumstances have had and might continue to have a material adverse effect on the Turkish economy and/or the Group's business, financial condition and/or results of operations, including as a result of the reduced revenues from tourism following heightened terrorist activity and its coverage in the international media.

Global Financial Crisis and Eurozone Uncertainty – Turkey and the Group have been, and might continue to be, subject to risks arising from the recent global financial crisis and continuing uncertainty in the eurozone

The recent global financial crisis and related economic slowdown significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 5.9% in the fourth quarter of 2008 and declined 4.7% in 2009 but, following the implementation of fiscal and monetary measures during 2009, began to recover in the fourth quarter of 2009 and has since continued to expand, albeit having lost some momentum in 2016 (source: Turkstat). While unemployment levels have also improved since the depth of the financial crisis, they remain elevated. There can be no assurance that the unemployment rate will not increase in the future. Continuing high levels of unemployment might affect the Group's retail customers and business confidence, which might impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, undermined investor confidence in recent years and resulted, and might continue to result, in a general deterioration of the financial markets. Although there have been indications of economic recovery in the eurozone, recent economic performance in Europe has been weak. Since the implementation of negative interest rates by the European Central Bank (the "*ECB*") in June 2014, an increasing number of central banks in Europe have taken their policy rates below zero. In January 2016, the Bank of Japan also adopted negative interest rates. There is uncertainty in the markets as to the possible impact of these policies.

In the United States, the U.S. Federal Reserve's stated intent of continuing to gradually reduce its quantitative easing policy is expected to lead to a reduction in global liquidity and a decrease in fund flows to emerging markets, as well as other macroeconomic conditions. In addition, following the presidential election in November 2016, the new U.S. administration has implemented and is expected to continue to implement new policies in a number of areas, including economy, finance, taxation, international trade and international diplomatic relations. It is difficult to predict the economic and political impact of the implementation of such new policies, although a number of such policies might negatively impact fund flows to emerging markets, increase volatility in financial and commodity markets and/or negatively impact international trade relationships, which might have a material adverse effect on the Group's business, financial condition and/or results of operations, including indirectly as a result of negative impacts experienced by debtors to the Group.

Any deterioration in the condition of the global, European or Turkish economies, or continued uncertainty around the potential for such deterioration, might have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects and/or financial condition of the Group's customers, which, in turn, might reduce the Group's asset quality and/or demand for the Group's products and services and negatively impact the Group's growth plans. The Group's business, financial condition and/or results of operations might also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

In addition, the Group operates in countries outside of Turkey (such as the Netherlands and Romania). The Group's intention is to continue expanding its operations in such jurisdictions (particularly in Romania), and in the event there are financial crises affecting such jurisdictions or any other financial shock (such as the recent sharp decline in oil prices, which negatively affects certain Eastern European countries), this might result in the Group's foreign operations not growing or performing at the same rate or levels as planned. Should the Group's non-Turkish operations fail to grow at past rates, perform at past levels or meet growth expectations, the Group's business, financial condition and/or results of operations might be materially adversely affected.

In June 2017, three Gulf Cooperation Council countries (Saudi Arabia, the United Arab Emirates and Bahrain), as well as several other countries, including Egypt and Mauritania, severed diplomatic ties with Qatar. There can be no assurance that diplomatic ties will be reinstated or that the current crisis will not escalate, which might have a material adverse impact on Qatari banks, including QNB. If any credit rating assigned to QNB is lowered or put on negative watch, then such change might have a negative impact on the Issuer's credit rating, cost of funding and/or access to certain sources of international or wholesale funding.

Although the global economy has begun to recover from the economic deterioration of recent years, the recovery might be weak. A relapse in the global economy or continued uncertainty around the potential for such a relapse might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, any withdrawal by a member state from the EU and/or European Monetary Union, any uncertainty as to whether such a withdrawal or change might occur and/or any significant changes to the structure of the EU and/or the European Monetary Union might have a material adverse effect on the Group's business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the euro and/or the potential deterioration of European institutions.

As of the date of this Base Prospectus, there is uncertainty in relation to the possible impacts of the leave vote in the United Kingdom (and the United Kingdom's 29 March 2017 decision to trigger Article 50 of the Treaty on European Union and commence the process of leaving the EU), including any impact on the European and global economic and market conditions and its possible impact on Sterling, euro and other European exchange rates. There has also been recent political tension between Turkey and certain members of the EU. Such circumstances might impact Turkey's relationship with the EU, including a potential suspension or termination of its EU accession process, disruption to the agreement concluded to control the irregular flow of refugees from Turkey to the EU and/or a disruption of trade. See "-Terrorism and Conflicts." As the EU remains Turkey's largest export market, a decline in demand for imports from the EU might adversely impact Turkish exports and Turkey's economic growth. See "-Current Account Deficit." Any effect of such events might adversely affect the economic stability in Turkey and the Group's business, financial condition and/or results of operations.

High Current Account Deficit – Turkey's high current account deficit might result in governmental efforts to decrease economic activity

A decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to US$63.6 billion in 2013 (the sources for data in this risk factor being Turkstat and the Central Bank) due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US$43.6 billion and US$32.1 billion in 2014 and 2015, respectively. In 2016, Turkey's current account deficit remained almost flat at US$32.6 billion due to a decline in the cost of energy imports, which offset the deterioration in tourism revenues. In 2017, Turkey's current account deficit increased to US$47.2 billion due to the rise in both energy and gold imports and strong domestic demand. Various events, including a possible adverse impact on Turkey's foreign trade and tourism revenues, geopolitical risks (see "-*Terrorism and Conflicts*"), political risks (see "-*Political Developments*") and an

increase in the price of oil, might result in an increase in the current account deficit, including due to the possible adverse impact on Turkey's foreign trade and tourism revenues. See "*-Emerging Market Risks*."

If the value of the Turkish Lira relative to the U.S. dollar and other relevant trading currencies changes, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank closely monitors the U.S. Federal Reserve's actions and takes (and has taken) certain actions to maintain price and financial stability. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. This initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. The Turkish Lira depreciated against the U.S. dollar by 20.6% in 2016, reaching its then-lowest level against the U.S. dollar mainly due to the uncertainty resulting from the domestic political developments (see "*-Political Developments*"), the result of the presidential election in the United States and the then-existing expectation of a rate hike (and the actual rate hike on 14 December 2016) by the U.S. Federal Reserve. The depreciation continued in 2017, with the Turkish Lira depreciating against the U.S. dollar by 6.7%. In August, October and November 2016, the Central Bank revised coefficients for certain tranches within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. See "*– Risks Relating to the Group's Business - Foreign Exchange and Currency Risk*."

Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon foreign trade, in particular with Europe. See "-Turkish Economy." A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, might have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. There has been recent political tension between Turkey and certain members of the EU as descibed in "-Political Developments" and "-Global Financial Crisis and Eurozone Uncertainty" above. A decline in demand for imports from the EU might have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in Russia and the Middle East, and the continuing political turmoil in certain of those markets might lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

Turkey is an energy import-dependent country and recorded US$34.4 billion of net energy imports in 2017, which increased from US$24.9 billion in 2016, which had declined from US$34.1 billion in 2015. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Turkey's current account balance. Even though the relatively low levels of oil prices have supported the current account balance, agreements among the members of the Organisation of the Petroleum Exporting Countries (*OPEC*) to cut output or any geopolitical development concerning energy security and prices might have a material impact on Turkey's current account balance.

If the current account deficit widens more than anticipated, financial stability in Turkey might deteriorate. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Turkey, and a failure to reduce the current account deficit might have a negative impact on Turkey's sovereign credit ratings. Any such difficulties might lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilise the Turkish financial system, and any such measures might adversely affect the Group's business, financial condition and/or results of operations.

Emerging Market Risks – International investors might view Turkey negatively based upon adverse events in other emerging markets

Turkey remains an emerging market and remains susceptible to a higher degree of volatility than more developed markets even though EU-defined Turkish government debt levels have decreased considerably from 76.1% of GDP in 2001 to 28.3% in 2017. Emerging markets such as Turkey are subject to greater risk than are more developed markets of being perceived negatively by investors based upon external events, and financial turmoil in any emerging market (or global markets generally) might disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with

investing in emerging economies might dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their market price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

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

Inflation Risk – Turkey's economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 73.2% in the early 2000s. Consumer price inflation was 7.4%, 8.2%, 8.8% and 8.5% in 2013, 2014, 2015 and 2016, respectively, with producer price inflation of 7.0%, 6.4%, 5.7% and 9.9%, respectively, in such years. In 2017, annual consumer price inflation was 11.9% due to an increase in the price of food and energy, the lagged impact of the depreciation of the Turkish Lira and strong domestic demand, while annual producer price inflation was 15.5% due to the increase in both intermediate and commodity prices in terms of Turkish Lira. On 30 January 2018, the Central Bank increased its forecast for consumer price inflation in 2018 from 7.0% to 7.9% and in 2019 from 6.0% to 6.5%, which increases were primarily driven by upward revisions in the assumptions for TL-denominated import prices. (Source of the above data: Turkstat). Inflation-related measures that may be taken by the Turkish government and the Central Bank might have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish Banking Sector – The Turkish banking sector has experienced significant volatility in the past and might experience significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks Halkbank, Vakıfbank and Ziraat Bank (which were three of the top 10 banks in the Turkish market based upon total assets as of 31 December 2017 according to the BRSA). Notwithstanding such changes, the Turkish banking sector remains subject to volatility. If the general macroeconomic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, then this might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the above-described conviction of an executive of Halkbank) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. Actual or perceived financial market instability in Turkey (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Notes.

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

The Group has significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2017, 92.8% of the Group's total securities portfolio (equal to 11.0% of its total assets and 116.3% of its shareholders' equity) was invested in securities issued by the Turkish government. Also, the Group has exposure to the Turkish government through the Group's participation in financing state-sponsored infrastructure projects, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or deterioration of the Turkish government's creditworthiness. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or a downgrade in Turkey's credit rating would likely have a significant negative

impact on the value of the government debt held by the Group and the Turkish banking system generally and might have a material adverse effect on the Group's business, financial condition and/or results of operations. Enforcing rights against governmental entities might be subject to structural, political or practical limitations.

Potential Overdevelopment – Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels occurred over recent years in anticipation of a continuing growth in international tourism, whereas in fact tourism declined very significantly in 2015 and 2016 as a result of the conflicts in Syria and Iraq and Turkish political and security concerns and the tourism industry has suffered significantly (Turkey's tourism revenues started to improve slightly from the second quarter of 2017 but remain significantly below 2014 levels). Any such overdevelopment might lead to a rapid decline in prices of these and other properties or the failure of some of these projects, which might then lead to deterioration of the asset quality of Turkish banks and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for banks. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. For example, in October 2011 an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country causing significant property damage and loss of life. A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the Group's properties and business operations in Turkey are located in earthquake risk zones. The occurrence of a severe earthquake might adversely affect one or more of the Group's facilities, which might cause an interruption in, and/or have a material adverse effect on, the Group's business, financial condition, results of operations and/or prospects.

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

Risks Related to the Group's Business

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

Credit risk is the most significant risk to which the Group is exposed. The Group is subject to inherent risks concerning the credit quality of borrowers and other counterparties (including in connection with swaps and derivatives entered into by the Group), which has affected and will continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate. In addition to debtor-specific credit events, should any large debtor to the Turkish financial system experience financial difficulties, then that might have a negative impact on the Group, including indirectly through having a negative impact on the Turkish banking sector.

In addition to debtor-specific credit events, changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system and economies can negatively affect the value of the Group's assets. Such risks might also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt. The ratio of the Group's NPLs to its total gross cash loans was 6.3%, 5.8% and 5.1% as of 31 December 2015, 2016 and 2017, respectively (with respect to the Turkish banking sector, 3.1% 3.3% and 3.0%, respectively, according to BRSA bank-only statistics). The ratio of the Group's Group II loans to total gross cash loans was 5.6%, 6.7% and 5.0% as of 31 December 2015, 2016 and 2017,

respectively. The Bank's NPL ratio has been higher than the sector average due to the Bank having a higher risk NPL portfolio than the sector average, including in the consumer and credit cards segments. In addition, the Bank has not engaged in NPL sales as often as its peers. In addition, the declining performance of a number of the Group's customers operating in certain sectors in Turkey (such as tourism, construction and energy) due to the political and economic environment negatively impacted the Bank's NPL ratio in recent years and their continued declining performance as a result of recent political and economic instability might further adversely impact the Bank's NPL ratio and the value of the Group's assets. These conditions might have a negative impact on the credit quality of the Group's loan portfolio.

In December 2016, the Turkish government announced that the Undersecretariat of Treasury will provide a guarantee for SME loans up to an aggregate amount of TL 250 billion under the Credit Guarantee Fund (*Kredi Garanti Fonu*) (the "*KGF*") programme, which aims to boost economic growth, support high potential companies that have difficulty accessing funding due to collateralisation constraints and help Turkish banks to grow by allowing 0% risk weight to be applied to the guaranteed portion of these loans. Banks are assigned certain limits to grant these loans and the amount corresponding to 85% (for non-SMEs) or 90% (for SMEs) of such limit will be guaranteed by the Undersecretariat of Treasury. The guarantee also extends to NPLs from these SME loans that constitute up to 7% of a bank's NPL levels. If the NPLs from these loans exceed 7% of a bank's NPL ratio for the loans benefiting from the KGF guarantee, then the banks will bear the risk for the amount of the NPL in excess of such 7% level. The Bank started granting loans under the KGF programme on January 2017 and, as of 31 December 2017, such loans amounted to TL 11.4 billion, of which 41.1% was granted to guarantee corporate and commercial loans and 58.9% for SME (including micro-enterprises) loans. The total limit of the loans that may be granted by the Bank under the KGF programme is TL 15.4 billion as of the date of this Base Prospectus. Accordingly, any further loan growth as a result of the KGF programme is likely to be limited and might lead to pressure on margins and increased competition amongst Turkish banks for deposits (see "-Competition in the Turkish Banking Sector"), which might negatively affect the Group's profitability; *however*¸ at the end of January 2018, the Turkish government announced that the Undersecretariat of Treasury will provide additional guarantees for loans up to an aggregate amount of TL 55 billion (for the entire banking sector) via the KGF, primarily targeting export and investment loans.

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account the payment ability and cash generating ability of a borrower in extending credit, the Group might not correctly assess the creditworthiness of its credit applicants. In addition, as the Group's loan portfolio has grown substantially, the Group has extended credit to new customers, many of whom may have more limited credit histories. In particular, the Group has relatively high levels of exposure to retail customers, whose loans generally yield higher interest income but also tend to have higher levels of default than loans to corporate customers (as of 31 December 2017, 32.1% of the Group's total loans were retail loans, including mortgage, credit card and consumer loans). Although such new loans are subject to the Group's credit review and monitoring practices, they might be subject to higher credit risks compared to borrowers with whom the Group has greater experience. Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. Also, should any large Turkish borrower experience financial difficulties, then that might have a negative impact on the Bank, including indirectly through having a negative impact on the Turkish banking sector. In addition, some large corporate borrowers have entered into discussions with the Group and other Turkish banks in connection with restructuring their loans, which are significant in principal amount. Although, as of the date of this Base Prospectus, no such loan has become non-performing or delinquent, if a material volume of such loans and/or other loans becomes non-performing or there is a slowdown (or any perception of slowdown) in economic conditions related thereto, then this might have a material adverse effect on the asset quality of Turkish banks, including the Group. Any such restructuring might also reduce the income of Turkish banks if the debt is restructured with terms more favourable to borrowers. The Group also has exposure to the Turkish government through the Group's participation in financing state-sponsored infrastructure projects, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or deterioration of the Turkish government's creditworthiness. See "Risk Management – Credit Risk" and "- Counterparty Risk." The Group's exposure to credit risk might lead to a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

The Turkish banking sector is highly competitive among both private and state-controlled banks. A small number of these banks represent a major share of the Turkish banking market and, as of 31 December 2017, the top eight banking groups (including the Group), three of which were state-controlled, held 83.8% of the banking sector's total loan portfolio in Turkey (excluding participation banks and development and investment banks), 84.3% of the total bank assets (excluding

participation banks and development and investment banks) in Turkey and approximately 83.5% of total customer deposits in Turkey (source: *BRSA*).

The Bank's major competitors include the Private Sector Peers and state-controlled financial institutions T.C. Ziraat Bankası A.Ş. ("*Ziraat Bank*"), Türkiye Vakıflar Bankası T.A.O. ("*Vakıfbank*") and Halkbank. As of 31 December 2017, all of the Group's major competitors were larger than the Group in terms of assets. The Bank's competitors might have access to greater resources and be more effective in the development and/or marketing of technologically-advanced products and services that compete directly with the Group's products and services, which might lead customers to use competitors' products instead of the Group's products. Accordingly, the Group might not be able to maintain its market share if it is not able to match its competitors' pricing and/or keep pace with its competitors' development of new products and services. Also, government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions might have access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which might result in a lower cost of funds that cannot be duplicated by private sector banks. Such actions by government-controlled financial institutions, in addition to on-going competitive pressures from private financial institutions, are expected to put downward pressure on net interest margins in at least the short term.

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

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

Reputation Risk – Negative public opinion regarding the Group, the Bank's controlling shareholder or the Turkish banking industry might negatively affect the Group's business and/or its relationship with its customers

The Group's reputation is one of its most important assets. Reputational risk, including the risk to earnings and capital from negative public opinion, is inherent in the financial services business. Negative public opinion can result from any number of causes, including misconduct by employees (including any non-compliance with sanctions, anti-money laundering, anti-bribery or any other applicable laws), severe or prolonged financial losses, the outcome of regulatory investigations or bank stress tests related to the Group or the Bank's controlling shareholder, or uncertainty about the financial soundness or reliability of the Group, the Bank's controlling shareholder or the Turkish banking industry. Negative public opinion might adversely affect the Group's ability to keep and attract customers, depositors and investors, as well as its relationships with regulators and the general public, which in turn might have a material adverse effect on its business, financial condition, results of operations and/or prospects.

Risk Management Strategies – The Group's risk management strategies and internal controls might 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, and it might fail to manage risks adequately in some circumstances. See "Risk Management." Although the Group invests substantial time and effort in risk management strategies and techniques, it might be exposed to unidentified, unquantified or unanticipated risks. 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 might be greater than expected, which might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Some of the Group's methods of managing risk are based upon the use of historical market data, which as evidenced by events caused by the recent global financial crisis might not always accurately predict future risk exposures that, as a result of unforeseen events, might be significantly greater than historical measures. If its measures to assess and mitigate risk prove insufficient, then the Group might experience material unexpected losses that might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. For example, assets held by the Group that are not traded on public markets might be assigned values that might not accurately measure the actual risks of such assets, resulting in potential losses that the Group has not anticipated.

The Group's subsidiaries have their own risk management teams and procedures, which (in the context of their respective businesses and regulatory environment) are generally consistent with those of the Group. The Group's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Group's subsidiaries. Such coordination and monitoring might not be sufficient to ensure that the subsidiaries' respective risk management teams and procedures will be able to manage risks to the same degree as the Bank's risk management team and procedures. Any failure of a subsidiary's risk management procedures to assess and mitigate risk might have a material adverse impact on the Group's reputation, business, financial condition, results of operations and/or prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

Market Risk – The Group is exposed to market risk

The Group is subject to risks that arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group seeks to manage its market risk exposure through a range of measures (see "Risk Management – Market Risk" for further information). As of 31 December 2017, the Group's net foreign currency exposure was a short position of TL 1.8 billion (compared to a short position of TL 1.6 billion as of 31 December 2016) resulting from an on balance sheet short position of TL 19.8 billion (compared to a TL 13.6 billion short position as of 31 December 2016) and an off balance sheet long position of TL 18.0 billion (compared to a TL 11.9 billion long position as of 31 December 2016). Taking into account the application of fair value hedge accounting to a debt obligation with the notional amount of US$380.0 million (TL 1.4 billion) recorded on the balance sheet, the Group's net foreign currency short position in 2017 was TL 364.4 million. Such measures might not be successful in mitigating all market risk and the Group's exposure to market risks might lead to a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. Certain of such risks are described in greater detail below.

Pressure on Profitability – The Group's profitability and profitability growth in recent years might not be sustainable as a result of laws, competition and other factors impacting the Turkish banking sector

The Group's profitability has been, and might continue to be, negatively affected in both the short- and long-term as a result of a number of factors, including a slowdown of economic growth in Turkey and a low interest rate environment (see "-Reduction in Earnings on Securities Portfolio" and "-Interest Rate Risk" below), increased competition (particularly as it impacts net interest margins (see "-Competition in the Turkish Banking Sector" above)) and regulatory actions, including those that seek: (a) to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements, increased capital requirements and higher risk weighting for general purpose loans, or (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers, see "- Banking Regulatory Matters" and "Turkish Regulatory Environment." For 2017, the Group's return on average total assets was 1.5% (compared to 1.7% for the sector (excluding participation banks), on a bank-only basis, according to the BRSA) and the return on average shareholders'

equity of the Group was 15.6% (compared to 15.4% for the sector, on a bank-only basis, according to the BRSA). While the KGF programme materially increased the Bank's profitability and the growth of its loan portfolio in 2017, such is not likely to be repeated in 2018 and later years absent further lending incentives from the government. As a result, the profitability and level of loan growth in the Turkish banking sector, including with respect to the Bank, might decline from the accelerated levels experienced in 2017. See "- Counterparty Credit Risk"). As such, there can be no assurance that the Group will be able to maintain such levels of profitability.

The Group's results were negatively impacted in 2015, 2016 and 2017 due to refunds paid to individual clients who benefited from a final court ruling against Turkish banks giving the clients the right to claim back previously paid loan filing commissions. For 2015, 2016 and 2017, the Group paid TL 203.0 million, TL 93.9 million and TL 28.1 million, respectively, to individual clients in respect of such refunds. This court ruling is consistent with the overall regulatory approach of the BRSA in recent years to limit the growth of the retail lending sector and impose limits with respect to fees and commissions charged to retail customers. Similar to other Turkish banks, the Group has amended its loan pricing policies and procedures in response to this court ruling and BRSA regulations, but claims in relation to prior periods might continue to be paid in 2017 and beyond, which in turn might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations, which might have a material adverse effect on the Group

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the U.S. dollar and euro against the Turkish Lira, which can have an impact on its financial position, results of operations and/or capital. These risks are both systemic (*i.e.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and specific to the Group (*i.e.*, due to the Group's own net currency positions) and these fluctuations might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group's net profit/(loss) is affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

From a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group). A number of Turkish borrowers have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk. As of 31 December 2017, 27.3% of the Group's total loans and advances to customers, of which 41.1% was in U.S. dollars and 58.3% was in euro, as well as a significant portion of its off-balance sheet commitments such as letters of credit, were foreign currency-risk-bearing. Similarly, any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. dollar by 25.4%. In particular, the value of the Turkish Lira depreciated against major currencies in 2015 largely due to the increased risk perception in global markets regarding the market's expectation of the U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey and other political events described in "*Political Developments*." Against these developments, the Central Bank prepared a roadmap to react to a possible rate hike by the U.S. Federal Reserve. The roadmap, which has as its base case a normalisation process by the U.S. Federal Reserve, proposes the implementation of tight liquidity for the Turkish Lira, a balanced foreign exchange liquidity and financial sector policies that are supportive of a tighter monetary policy. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. This initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies

to appreciate. In the first quarter of 2016, the Turkish Lira appreciated against the U.S. dollar by 2.6%. In this context, instead of responding to the U.S. Federal Reserve's actions by changing interest rates and implementing the roadmap, the Central Bank tightened further the liquidity of the Turkish Lira. Having declined to 7.6% in March 2015, the Central Bank's average funding rate increased to 9.0% in September 2015, before declining to 8.8% as of the end of 2015. The Central Bank's average funding rate further increased to 9.1% in February 2016, but then subsequently decreased to below 9.0% in March 2016 due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting. This continued until September 2017, when the U.S. Federal Reserve indicated that it would likely increase rates in 2018. The Central Bank's average funding rate was 12.75% on 31 December 2017, increasing from 8.31% at the end of 2016. As of 31 December 2017, the majority of the funding supplied to the system by the Central Bank was provided via the late liquidity window facility.

The Turkish Lira depreciated against the U.S. dollar by 17.9% in 2016 and then depreciated further by 6.7% in 2017 and 4.7% in the first three months of 2018, which depreciation was in part a result of geopolitical risks (see "Risks Related to Turkey - Terrorism and Conflicts"), the uncertainty resulting from domestic political developments (see "Risks Related to Turkey - Political Developments") and the pressure on emerging market currencies. As a response to the depreciation of the Turkish Lira, the Central Bank has adopted certain monetary policies. For instance, in October and November 2016, the Central Bank revised certain reserve option coefficients within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. Additionally, the Central Bank reduced the borrowing limit for Turkish banks in the Interbank Money Market (*Bankalararası Para Piyasası*) initially to TL 22 billion and subsequently to TL 11 billion and then to zero on 10 January 2017, 13 January 2017 and 21 November 2017, respectively. The Central Bank also launched the Foreign Exchange Deposits against Turkish Lira Deposits Market in order to increase the Central Bank's flexibility and diversity in managing the Turkish Lira and foreign exchange liquidity. To improve the ability of Turkish companies to manage their currency exposures, the Central Bank introduced non-deliverable forwards, which provide hedging with forward payments settled in Turkish Lira. The Central Bank is expected to implement additional monetary tightening policies in the near future for price stability, if needed. See also "Risks Related to Turkey - Interest Rate Risk."

The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey. As global conditions have been volatile in recent years, including as a result of, among other factors, expectations regarding slower growth in China and low commodity and oil prices, monetary policy remains subject to uncertainty. The fluctuations of foreign currency exchange rates and increased volatility of the Turkish Lira might adversely affect the Group's customers and the Turkish economy in general; thus these might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

A significant portion of the Group's assets and liabilities (including off-balance sheet commitments such as letters of credit) is denominated in, or indexed to, foreign currencies, primarily U.S. dollars and euro. If the Turkish Lira is devalued or depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's U.S. dollar-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira might adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. In addition, the Group's lending operations depend significantly upon the Group's capacity to match the cost of its foreign currency-denominated (or indexed) liabilities with the rates charged by the Group on its foreign currency-denominated (or indexed) assets. A significant devaluation or depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies and might have a material adverse effect on the capital ratios of the Bank and the Group and/or the Group's business, financial condition and/or results of operations.

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

operating losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group's results of operations depend significantly upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest margin is the difference between interest income and interest expense divided by average interest-earning assets. Net interest income contributed 81.4%, 79.7% and 88.1% of the Group's operating income for 2015, 2016 and 2017, respectively, and net interest margin was 6.2%, 6.4% and 6.3%, respectively, during the same periods. Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Central Bank and central banks in other jurisdictions, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility.

Changes in market interest rates might affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect the Group's results of operations. An increase in interest rates (such as the large increases that the Central Bank implemented in its January 2014 meeting to combat the increase in Turkey's current account deficit) might cause interest expense on deposits (which are typically short-term and reset interest rates frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential reduction in net interest income and net interest margin. In addition, an increase in interest rates might also reduce demand for loans from the Group, and thus its ability to originate loans. Further, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. As long as the Turkish financial markets remain volatile and subject to uncertainty, mismatch between the Group's short-term liabilities (*e.g.*, deposits) and long-term assets might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Central Bank has alternated between increasing and tightening liquidity in recent years. For example, on 24 March 2016, the Central Bank took its first step towards normalisation and reduced the upper limit of its interest rate corridor by 25 basis points to 10.50%. From then until September 2016, the Central Bank cut its rates each month, totalling 225 basis points; *however*, following the sharp depreciation of the Turkish Lira, upside risk on inflation and market volatility, the Central Bank stopped its interest rate-cutting process in October 2016 and, on 24 November 2016, the Central Bank's Monetary Policy Committee ("*Monetary Policy Committee*") increased the upper bound of the interest rate corridor by 25 basis points to 8.50% from 8.25% and its one-week repo rate (policy rate) by 50 basis points to 8.00% from 7.50% (which increase was the first rate hike since January 2014), while leaving its late liquidity window unchanged at 7.25%. On 24 January 2017, the Monetary Policy Committee kept the one-week repo rate at 8.00%, while increasing the upper bound of the interest rate corridor by 75 basis points to 9.25% and the late liquidity window lending rate by 100 basis points to 11.00%. Following the meeting of the Monetary Policy Committee, the Central Bank announced that a significant increase in inflation is expected in the short term due to delayed pass-through effects and the volatility in food prices. Accordingly, the Monetary Policy Committee decided to increase its monetary tightening in order to attempt to mitigate the inflation outlook.

On 16 March 2017, the Monetary Policy Committee increased the late liquidity window lending rate by 75 basis points to 11.75%, which was then further increased by 50 basis points to 12.25% on 26 April 2017 and further increased to 12.75% on 14 December 2017

Any increase in interest rates applicable to Turkish Lira-, U.S. dollar- or euro-denominated obligations might result in a decline (including to a loss) in the Group's net interest income. For example, the Group's management believes that a 500 basis point increase in interest rates applicable to Turkish Lira-denominated obligations and a 200 basis point increase in interest rates applied to each of euro- and U.S. dollar-denominated obligations in the Group's banking book might have resulted in a TL 1.2 billion loss, a TL 27.3 million gain and a TL 59.5 million loss, respectively, in the Group's net interest income for 2017.

The Group uses derivative instruments and other measures in order to manage exposures to interest rate risk and foreign currency risks, which might be affected by changes in interest rates. There is a risk that these hedging arrangements

and other measures will not be adequate to protect the Group from the risks of changing interest rates or that hedging counterparties might default.

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

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

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

The Group also relies upon non-deposit funding (which includes repos and money market funds, funds borrowed, subordinated loans and marketable securities issued), which as of 31 December 2017 accounted for 32.8% of the Group's total liabilities. The Group's loan-to-deposit ratio (the Group's total amount of loans and receivables excluding NPLs (as defined below) *divided by* total deposits) was 120.9% as of 31 December 2017. If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets.

A rising interest rate environment might compound the risk of the Group not being able to access funds at favourable rates or at all. This and other factors might lead creditors to form a negative view of the Group's liquidity, which might result in lower credit ratings, higher borrowing costs and/or less access to funds. In addition, the Group's ability to raise or access funds might be impaired by factors that are outside the Group's control, such as general market conditions, monetary policies pursued by the Central Bank and central banks in other jurisdictions (including any decision of the U.S. Federal Reserve to further tighten its monetary policy, which had a material adverse effect on perceptions of liquidity in the Turkish financial system in the past), currency fluctuations, severe disruption of the financial markets or negative views about the prospects of the Turkish banking sector or the sectors to which the Group lends. Strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. For instance, the Group's liquidity might be impaired if: (a) the Group faces increased difficulty in selling its assets, particularly if other entities in distressed situations are seeking to sell similar assets or if the market value of assets, including financial instruments underlying derivative transactions, has become difficult to ascertain (as has occurred in the recent past), (b) the financial institutions that the Group interacts with exercise their set-off rights or their rights to require additional collateral, (c) the Group's customers with outstanding but undrawn loans draw down these credit lines at a rate that is higher than the Group anticipates, (d) as the Group's contingency plan for liquidity stress scenarios relies in part upon its ability to obtain funding from the Central Bank, there is an unavailability of cash and balances from the Central Bank and a lack of similar source of accessible financing, which might severely impede the Group's ability to manage a period of liquidity stress (as of 31 December 2017, cash and balances with the Central Bank represented 12.1% of the Group's total assets), and (e) there is an increase in credit spreads, credit losses or credit reserves, as well as any restriction on inter-bank credit and other credit. In case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which might adversely affect borrowing using certain

capital market instruments (such as "future flow" transactions and eurobonds). See also "Foreign Currency Borrowing and Refinancing Risk" below.

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

Similarly, if a credit rating of Turkey and/or the Bank's controlling shareholder is downgraded or put on negative watch, then the Group might experience higher levels of cost of funding and/or difficulty accessing certain sources of international or wholesale funding, see " – Access to Capital – The Group might have difficulty raising capital on acceptable terms, if at all".

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent upon foreign currency-denominated debt, which might result in difficulty in refinancing or might increase its cost of funding, particularly if the Group and/or Turkey suffer(s) a rating downgrade

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank has raised (and likely will seek to increase its raising of) longer-term funds from syndicated and bilateral loans, "future flow" transactions, eurobond issuances and other transactions, almost all of which have been denominated in foreign currencies as such long-term financing is not widely available within Turkey. As of 31 December 2017, the Group's total foreign currency-denominated borrowings were TL 30.7 billion, constituting 23.4% of its consolidated assets, and 69.4% of such borrowings had an original maturity exceeding one year. To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

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

These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency. As of 31 December 2017, 79.0% of the Group's foreign currency-denominated borrowings (including subordinated loans) were sourced from international banks, multilateral institutions, eurobond offerings and "future flow" transactions. As of 31 December 2017, 12.8% of such borrowings were provided by QNB, including subordinated debt instruments. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

Loans to and receivables from the Group's 20 largest customers as of 31 December 2015, 2016 and 2017 represented 8.6%, 11.4% and 12.8%, respectively, of its total performing loans and receivables. In terms of sector concentration, the wholesale and retail sale, manufacturing and construction sectors represented the largest concentrations as of 31 December 2017 (17.5%, 13.0% and 9.2% of the Group's total performing loans and receivables, respectively). A downturn in any of these sectors, individually or in the aggregate, might adversely affect the financial condition of the companies operating in such sectors and might result in, among other things, a decrease in funds that such corporate customers hold on deposit with the Group, defaults on their obligations owed to the Group or a need for the Group to increase provisions in respect of such obligations, any of which might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

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

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

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

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

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

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

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

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2015, 2016 and 2017 accounting for 9.6%, 9.3% and 10.9%, respectively, of its total interest income (and 7.9%, 7.8% and 9.2%, respectively, of its gross operating income (*i.e.*, total

interest income and fees and commission income before deducting interest expense and fee and commission)). The Bank also has obtained large realised gains from the sale of securities in the available-for-sale portfolio. The consumer price index ("*CPI*") linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

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

Potential losses from Trading Activities – The Group engages in trading activities (including hedging) that might lead to significant losses

The Group engages in various trading activities, as both agent and (to a limited extent) principal. In 2016, the Group incurred a net trading loss of TL 661.5 million, which was primarily attributable to TL 713.3 million in trading losses from derivatives due to net interest expense for swap transactions. The Group's proprietary trading involves a degree of risk and future results, in part, depend largely upon market conditions that are not within the Group's control. Trading risks include, among others, the risk of unfavourable market price movements relative to the Group's long or short positions, a decline in the market liquidity of such 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 Group chooses to hedge certain positions not tracking the market value of those positions and exchange rates. The Group might incur significant losses from its trading activities, which might have a material adverse effect on its business, financial condition, results of operations and/or prospects.

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

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

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

The Group is subject to extensive and detailed regulation and supervision by supervising authorities, including a number of banking, consumer protection, competition, antitrust and other laws designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws include Turkish laws (and in particular those of the BRSA), as well as laws of certain other countries in which the Group operates. These laws increase the cost of doing business, limit the Group's activities and might be subject to enforcement action or litigation. See "Turkish Regulatory Environment" for a description of the Turkish banking regulatory environment and "The Turkish Banking Sector" below.

Turkish banks' capital adequacy requirements have been and will continue to be affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are being phased in through 2019. The Regulation on Equities of Banks was published in the Official Gazette No. 28756 dated 5 September 2013 (the "*Equity Regulation*") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "*2012 Capital Adequacy Regulation*"), both of which transposed Basel III requirements

into Turkish law and entered into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (which entered into effect on 31 March 2016) (the "*2015 Capital Adequacy Regulation*"). The 2015 Capital Adequacy Regulation: (a) increased the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0% to 50%; *however*, on 24 February 2017, the BRSA published a decision that enables banks to use 0% risk weight for such reserves, (b) lowered the risk weights of residential mortgage loans from 50% to 35%, (c) lowered the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) from 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not re-classified as "non-performing loans," and (d) decreased the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%. Although these changes had (as of 31 December 2017) a positive impact on the Bank's capital adequacy ratio, there is no assurance that any further changes to the capital adequacy requirements would not impact the Bank's capital adequacy ratios negatively.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into effect on 1 January 2014 and regulates the procedures and principles regarding the calculation of additional core capital amounts. In this context, the BRSA further published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), which entered into effect on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015).

The Regulation on Measurement of Liquidity Coverage Ratios of Banks (the "*Regulation on Liquidity Coverage Ratios*") was published in the Official Gazette dated 21 March 2014 and numbered 28948 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. According to this regulation, the liquidity coverage ratios of banks is not permitted to fall below 100% on an aggregate basis and 80% on a foreign currency-only basis; *however*, pursuant to the BRSA decision dated 26 December 2014 (No. 6143) (the "*BRSA Decision on Liquidity Ratios*"), for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40%, respectively, and pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be (and have been) applied as increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. If the Bank and/or the Group is unable to maintain its capital adequacy, leverage and liquidity ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, losses or otherwise), then it might be required to seek additional capital and/or sell assets (including subsidiaries) at commercially unreasonable prices, which might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects. See "Turkish Regulatory Environment" below for a further discussion on the implementation of Basel III in Turkey.

The BRSA also amended certain regulations and communiqués as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016 (entering into force on 31 March 2016) in accordance with the Basel Committee's Regulatory Consistency Assessment Programme ("*RCAP*"), which is conducted by the Bank for International Settlements (the "*BIS*") and reviews Turkey's compliance with Basel regulations. These new amendments include revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation, and impose requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments. Accordingly, the board of directors and senior management of a bank are required to ensure that such bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("*D-SIBs*") regulation (the "*D-SIBs Regulation*"), which introduced additional capital requirements for those banks classified as D-SIBs in line with the requirements of Basel III. As of the date of this Base Prospectus, the Bank is not classified as a D-SIB under the D-SIBs Regulation. See "Turkish Regulatory Environment – Capital Adequacy."

In June 2016, the BRSA published the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (as amended from time to time, the "*Classification of Loans and Provisions Regulation*") (which replaced the former "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" (the "*Regulation on Provisions and Classification of Loans and Receivables*") and entered into effect as of 1 January 2018) in order to ensure compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks (unless an exemption is granted by the BRSA) to adopt Turkish Financial Reporting Standard 9 ("Financial Instruments") ("*TFRS 9*"), which is the direct translation of IFRS 9 ("Financial Instruments"), related to the assessment of credit risk and to account for expected credit losses in line with such principles. See "Turkish Regulatory Environment – Loan Loss Reserves – Current Rules."

On 14 March 2018, amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation were published in the Official Gazette, which amendments allow banks to amortise the TFRS 9 transition effects over five years starting as of 1 January 2018. As such, the Bank's management expects that the impact on the Bank's equity (and thus to the capital adequacy ratios of the Group) caused by the transition to TFRS 9 principles will be insignificant (*e.g.*, if the Bank had implemented the TFRS 9 principles as of 31 December 2017, then the impact would have resulted in a decline of between 1% and 2% in the Bank's equity as of such date); *however*, no assurance can be given that such transition will have a limited adverse effect on the Bank's equity. According to the amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation, as of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets. The Bank's management expects these amendments to have a negative impact on the capital base, risk-weighted assets and capital adequacy ratios of the Turkish banking sector, including the Group, and additional capital might be needed. The Bank has estimated that, if such rule had been applicable as of 31 December 2017, the decrease in the Bank's capital adequacy ratios would have been approximately 90 basis points. In addition, TFRS 9 principles impact the calculation of impairment of financial instruments, which in turn is expected to result in an increase in the overall level of the Bank's impairment allowances. The Bank's management is analysing whether, if market conditions are attractive, to issue additional Tier 2 debt or convert existing Basel II-compliant Tier 2 debt held by QNB into Basel III-compliant debt, either of which might increase the capital ratios of the Bank by 200 basis points; *however*, no decisions have been made and such might not occur.

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

Such measures might also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework might have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with laws (including those relating to sanctions, anti-money laundering and anti-bribery) might expose the Group to potential liabilities and fines and/or damage its reputation.

The Bank is also subject to competition and antitrust laws. The Bank from time to time has been, and in the future might be, subject to investigations by the Turkish Competition Board (*Rekabet Kurulu*) (the "*Competition Board*") some of which have resulted in material fines. See also "Business of the Group – Legal Proceedings."

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

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

Money Laundering and/or Terrorist Financing – Third parties might use the Group as a conduit for money laundering or terrorist activities without the Group's knowledge

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

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

Historically, the reporting, accounting and financial practices applied by Turkish banks have differed in certain respects from those applicable to similar banks in the EU, the United Kingdom, the United States or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU, the United States or in other similar markets and any information that is published might only be presented in Turkish. Turkish corporate governance standards differ from those of more developed countries as well.

The BRSA's rules require Turkish banks to publish their annual financial reports on their websites. In addition, banks that are listed on the Borsa İstanbul A.Ş. ("*Borsa İstanbul*"), such as the Bank, are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the market price of the issuer's securities (both through the Turkish government's Public Disclosure Platform's website and the bank's own website). Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements, interim management reports and corporate governance compliance reports. Many Turkish banks (including the Bank) also prepare financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA Accounting and Reporting Principles and only subsequently made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. Nonetheless, investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States and certain other markets.

The Group maintains its accounting systems and prepares its accounts and publishes quarterly financial results in accordance with the BRSA Accounting and Reporting Principles. With respect to IFRS, the Bank only publishes annual consolidated financial statements. There are differences between the BRSA Financial Statements and the IFRS financial statements. A summary of certain of such differences as they apply to the Group has been included in Appendix A ("Summary of Significant Differences Between IFRS and the BRSA Accounting and Reporting Principles"), including differences that might materially alter the description of the Group's results of operations and financial position. Potential

investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Base Prospectus.

Audit Qualification – The auditor's reports in relation to the Group's financial statements include a qualification

The Group's BRSA Financial Statements for 2016 and 2017 include a qualification about a general reserve allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions. While this reserve was reversed in 2016, the auditor's qualifications (which can be found in its letters attached to each of such BRSA Financial Statements) continued to be included in the BRSA Financial Statements for 2016 and 2017 due to the reserve's existence as of 31 December 2015.

These general reserves allocated by the Bank's management amounted to TL 100.0 million as of 31 December 2015 (of which TL 82.0 million was allocated in the previous year and the balance in 2015), which allocation was charged to the income statement as an expense in 2015 (*i.e.*, TL 18.0 million for 2015). These general reserves were fully reversed in the last quarter of 2016.

Should such reserves be allocated in future periods (or, if so allocated, thereafter be reversed, re-allocated or increased by the Group in future periods), this might: (a) cause the Group's net profit to be higher or lower in future periods than it otherwise would be in the absence of such allocation, reversal, reallocation or increase and (b) result in similar qualifications being included in the corresponding audit or review reports for future fiscal periods. These provisions do not impact the Group's level of tax or its capitalisation ratios.

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

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

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

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

Any failure, interruption or breach in security of the Group's IT systems might result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period

of time, then it might be unable to serve some or all of its customers' needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of the Group's IT systems might result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing information systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its information systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the IT systems or increased costs associated with such systems might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Dependence upon Technology – The Group might not be able to keep pace with, and fund, technological innovations

The Turkish financial services industry is undergoing rapid technological changes and the Group is subject to constantly evolving customer demand for technology-driven financial and banking products and services. For example, in October 2012, the Group launched Enpara.com, an online banking platform designed to provide banking services to customers in Turkey without the use of any physical branches. Enpara.com is highly dependent upon technology and subject to rapid change and transformations. Enpara.com is managed within the Group as a separate banking unit with its own brand and business model. In August 2014, Enpara.com began offering relatively small loans at competitive interest rates to its customers with up to TL 50,000 in Enpara.com deposits and launched an online-only consumer loan offering platform that allows customers to obtain loans without the need of visiting a branch or physically executing any documents. Difficulties in the Group's technology (including, but not limited to, maintaining, upgrading or protecting such technology), such as with respect to Enpara.com, might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Many of the Group's current and potential competitors have greater resources than the Group to invest in technological improvement and product development, marketing and implementation and might be able to develop an online banking platform that would be more successful than (or otherwise negatively impact) Enpara.com. Any failure to successfully keep pace with, and fund, technological innovations, or failure to respond to changing customer demands in the markets in which the Group competes, might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

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

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

Leverage Risk – The Group might become over-leveraged

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

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

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff, particularly in the Group's İstanbul headquarters, is very high and requires the Group to re-assess continually its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group might not continue with the Group.

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

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

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks (*i.e.*, Halkbank, Vakıfbank and Ziraat Bank). Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macroeconomic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system, which might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Dependence upon Banking and Other Licences – Group members might be unable to maintain or secure the necessary licences for carrying on their business

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

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

By law, each of the Bank and the Group is required to maintain certain capital levels and capital ratios in connection with its business. Such capital ratios depend in part upon the level of risk-weighted assets. The Bank's management expects that continued growth in Turkey's economy and further penetration of its banking services will result in increased lending. As a result, the Bank's management expects that there will be a continuing increase in the Group's risk-weighted assets, which might adversely affect the Group's capital adequacy ratios, which also might be affected by potential changes in law as to the manner in which capital ratios are calculated (see "- Banking Regulatory Matters" above).

The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. Turkey's sovereign debt rating was downgraded by S&P on 20 July 2016 followed by a downgrade by Moody's on 23 September 2016 to below investment-grade status, which also led to a

downgrade of Turkish financial institutions, including the Bank. Turkey's long-term foreign currency debt and its long-term local currency debt are, as of the date of this Base Prospectus, rated "BBB-", with negative outlook, by Fitch. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch (whose ratings the Bank has been using to calculate its risk-weighted assets) downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and Moody's. On 9 March 2018, following the downgrade of the sovereign rating of Turkey to "Ba2" (outlook stable) from "Ba1" (outlook negative), Moody's downgraded the Bank's long-term foreign currency rating to "Ba2" from "Ba1." Management estimates that these downgrades to sub-investment grade had (and will continue to have) a negative impact on capital adequacy ratios in the banking sector and potential capital erosion might be even greater for the banking industry if the Turkish Lira were to face further depreciation pressures or Turkish Lira bonds were to suffer a significant sell-off, negatively affecting bond prices. Overall, management expects that Turkey's recent downgrades to below investment grade bond status might have medium-term negative implications on key macroeconomic balances and capital adequacy ratios. In particular, as of January 2017, the Bank's management estimates that Turkey's recent downgrades to below investment grade might alone have had a negative impact of around 130 basis points on the capital adequacy ratio of the Bank, though this impact has been more than offset by recent amendments bringing the risk-weighting of foreign exchange required reserves held with the Central Bank to 0% according to guidance published by the BRSA on 24 February 2017.

Additionally, it is possible that the Bank's and/or the Group's capital levels might decline due to, among other things, credit losses, increased credit reserves, currency fluctuations or dividend payments. In addition, the Group might need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in order to remain competitive in the Turkish banking environment, particularly in line with the Group's growth strategy. Should the Group desire or be required to raise additional capital, that capital might not be available to the Group at all or at a price that the Group considers to be reasonable. If any or all of these risks materialise, then this might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Risks Related to the Bank's Relationship with its Controlling Shareholder

Control by a Large Shareholder – The interests of the Bank's controlling shareholder might not be aligned with the interests of the investors in the Notes

As of 15 June 2016, following QNB's purchase of the shares in the Bank held directly or indirectly by NBG, QNB owned 99.81% of the Bank's outstanding shares and had the voting power to influence the Bank's strategy and business significantly, including through its power to elect all of the Bank's Board of Directors and to determine the outcome of almost all matters to be decided by a vote of the Bank's shareholders. In accordance with the Communiqué, shareholders of the Bank (other than QNB) had a right to sell their shares in the Bank to QNB within a three month period starting on 16 June 2016. At the end of such period, as of 16 September 2016, 99.88% of the shares of the Bank were owned by QNB. The interests of QNB might differ from those of the investors in the Notes and the controlling shareholder of the Bank might cause the Bank to take or refrain from taking certain actions (*e.g.*, declaring dividends or entering into corporate transactions) that might adversely affect the Noteholders' investment in the Notes. See "Management" and "Share Capital and Ownership."

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

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 that contain particular risks for potential investors. Set out below is a description of some of such features.

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

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

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

Change of Interest Basis – If a Series of Notes includes a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, then this might affect the secondary market and the market price of an investment in such Notes

Notes 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. Such a feature to convert the interest basis, and any conversion of the interest basis with respect to a Series of Notes, might affect the secondary market and the market price of investments in such Notes as the change of interest basis might result in a lower interest return for investors. Where Notes convert from a fixed rate to a floating rate, the spread on such Notes might be less favourable than then-prevailing spreads on comparable securities tied to the same reference rate. In addition, the new floating rate at any time might be lower than the rates on other Notes. Where Notes convert from a floating rate to a fixed rate, the fixed rate might be lower than then-prevailing rates on those Notes and might affect the market value of an investment in such Notes.

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

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

For Notes denominated in a specified currency ("*Specified Currency*") other than U.S. dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to have or open (and maintain) a bank account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on such Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. dollars and the holders of such Notes will receive payment in U.S. dollars through DTC's normal procedures. See Condition 7.11.

In the case of Turkish Lira-denominated Notes held other than through DTC, unless an election to receive payments in U.S. dollars as provided in Condition 7.10 is made, holders of such Notes might 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 inside 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 a clearing system to which any such payment is made.

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

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

Potential Price Volatility – The market price of an investment in the Notes might be subject to a high degree of volatility

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

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

Risks Related to Notes Denominated in Renminbi

Notes may be denominated in Renminbi ("*Renminbi Notes*"). An investment in Renminbi Notes involves particular risks, including:

Renminbi Convertibility - Renminbi is not completely freely convertible, there are significant restrictions on remittance of Renminbi into and outside the PRC and the liquidity of investments in Renminbi Notes is subject to such restrictions

Renminbi is not completely freely convertible as of the date of this Base Prospectus. The government of the PRC (the "*PRC Government*") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services and other frequent routine foreign exchange transactions. These transactions are known as current account items.

As of the date of this Base Prospectus, participating banks in Hong Kong and a number of other jurisdictions (the "*Applicable Jurisdictions*") have been permitted to engage in the settlement of current account trade transactions in Renminbi; *however*, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are (as of the date of this Base Prospectus) being developed.

Although Renminbi was, as of 1 October 2016, added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to liberalise control over cross-

border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated that have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

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

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. The People's Bank of China (the "*PBoC*") has established a Renminbi clearing and settlement mechanism for participating banks in the Applicable Jurisdictions through settlement agreements with certain banks (each an "*RMB Clearing Bank*") to act as the RMB clearing bank in the Applicable Jurisdictions. Notwithstanding these arrangements, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in relation to cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions. 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. Where onshore liquidity support from the PBoC is not available, 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 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 so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of investments in the Renminbi Notes. To the extent that the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source Renminbi on satisfactory terms, if at all.

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

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

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

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

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation might increase interest rate volatility. If a Series of Renminbi Notes carries a fixed interest rate, then the trading price of an

investment in such Renminbi Notes will vary with fluctuations in Renminbi interest rates. If an investor in Renminbi Notes tries to sell such investment before their maturity, then they might receive an offer that is less than the amount invested.

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

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

Risks Related to the Notes Generally

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

Unsecured Obligations - The Notes will constitute unsecured obligations of the Bank

The Bank's obligations under the Notes will (subject to Condition 4) constitute unsecured obligations of the Bank. The ability of the Bank to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which might be affected by (*inter alia*) the circumstances described in these "Risk Factors."

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

While Notes issued with the terms and conditions set out in this Base Prospectus (the "*Conditions*") will rank *pari passu* with all of the Bank's other unsecured and unsubordinated indebtedness, the Notes will be effectively subordinated to the Bank's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any amount that such depositors are not fully able to recover from the SDIF, claims that the SDIF might have against the Bank and claims that the Central Bank might have against the Bank with respect to certain loans made by it to the Bank). In addition: (a) creditors of the Bank benefiting from collateral provided by the Bank will have preferential rights with respect to such collateral (*e.g.*, creditors in a covered bond programme) and (b) creditors of a foreign branch of the Bank might have preferential rights with respect to the assets of such branch. Any such preferential claims might reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and might result in an investor in the Notes losing all or some of its investment.

Redemption for Taxation Reasons – Unless provided otherwise in the applicable Final Terms, the Bank will have the right to redeem a Series of Notes upon the occurrence of certain changes in law requiring it to pay withholding taxes in excess of levels, if any, applicable to interest or other payments on such Series on or before the date on which agreement is reached to issue the first Tranche such Series

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14592 dated 12 January 2009, which was 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%, (b) with respect to bonds with a maturity of at least one year and less than three years, the withholding tax rate on interest is 7%, (c) with respect to bonds with a maturity of at least three years and less than five years, the withholding tax rate on interest is 3%, and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Also, in the case of early redemption, the redemption date might be considered to be the maturity date and (if so) higher withholding tax rates might apply accordingly.

Unless provided otherwise in the applicable Final Terms, the Bank will have the right to redeem a Series of Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, as a result of: (a) any change in, or amendment to, the laws of a Relevant Jurisdiction (as defined in Condition 9) or (b) any change in the application or official interpretation of the laws of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of Notes of such Series (which shall, for the avoidance of doubt, be the date on which the applicable Final Terms is signed by the Bank), 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 Notes of such Series, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption, investors in such Series of Notes might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the redeemed Notes and, in the case of any Floating Rate Notes, the redemption could take place on any day during an Interest Period.

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

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

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and for Extraordinary Resolutions to be passed in writing or by way of electronic consents. These provisions permit investors in the Notes holding defined percentages of the Notes to bind all investors in the Notes of a Series, including investors that did not attend and vote at the relevant meeting (or did not sign such a written resolution or provide such electronic consent, as applicable) and investors that voted in a manner contrary to the decision of the deciding group. As a result, decisions might be taken by the holders of such defined percentages of the Notes of a Series that are contrary to the preferences of any particular investor in such Series.

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

Other than the approvals of the CMB and the Central Bank of Ireland described herein, the Notes: (a) have not been and are not expected to be registered under the Securities Act or any state's or other jurisdiction's securities laws and (b) have not been approved or disapproved by any jurisdiction's regulatory authorities (including the SEC). The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and in compliance with other securities laws. Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "Transfer and Selling Restrictions."

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

Further Issues – The Bank may issue further Notes of any Series, which would dilute the existing Noteholders' share of such Series

As permitted by Condition 17, the Bank may from time to time without the consent of the Noteholders of a Series create and issue further Notes of such Series; *provided* that such further Notes will be required to be fungible with the existing Notes of such Series for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k) unless the original Notes were, and such further Notes are, offered and sold solely in reliance upon Regulation S in offshore transactions to persons other than U.S. persons. To the extent that the Bank issues such further Notes of a Series, the existing Noteholders' share of such Series (*e.g.*, in respect of any meeting of holders of the Notes of that Series (see "-Consent for Modifications" above)) will be diluted.

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

The Bank is a public joint stock company organised under the laws of Turkey (specifically, under the Banking Law). Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might not be possible for investors in the Notes to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

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

Change in Law - The value or market price of an investment in the Notes might be adversely affected by a change in the laws of England or Turkey or in administrative practice in these jurisdictions

The Conditions of the Notes are based upon the applicable laws of England and Turkey and administrative practice in effect as of the date of this Base Prospectus, and having regard to the expected tax treatment of all relevant entities under such applicable laws and practice. No assurance can be given as to the impact of any possible judicial decision or change to the applicable laws of England or Turkey (or the applicable laws of any other jurisdiction) (including any change in regulation that might occur without a change in the primary legislation) or administrative practice in England or Turkey after the date of this Base Prospectus, nor can any assurance be given as to whether any such change might materially adversely affect the ability of the Issuer to make payments under the Notes or the value or market price of an investment in the Notes affected by such change.

Definitive Notes might need to be Issued - Investors who hold interests in Global Notes in denominations that are not a Specified Denomination might be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Global Notes and having denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount ("*Specified Denomination*"), it is possible that interests in such Global Notes might 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, an investor who, as a result of trading such amounts, holds an amount that is less than the minimum Specified Denomination in an account with the relevant clearing system: (a) 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 and (b) may not receive a definitive Note in respect of such holding (should definitive Notes replace the applicable Global Note) and would need to purchase or sell a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

Reliance upon Clearing Systems - Investors in the Global Notes will be subject to the rules of the applicable Clearing System and their ability to exercise rights relating to the Notes directly might be limited

Unless issued in definitive form, the Notes will be represented on issue by one or more Global Note(s) that will be: (a) deposited with and (if issued in registered form) registered in the name of a nominee for a Common Depositary or a Common Safekeeper, as the case may be, for Euroclear and/or Clearstream, Luxembourg or (b) deposited with and registered in the name of a nominee for DTC. Except in the circumstances described in the applicable Global Note and Final Terms, investors in a Global Note will not be entitled to receive Notes in definitive form. Each of the Clearing Systems and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While Notes are represented by a Global Note, investors will be able to trade their beneficial interests therein only through the relevant Clearing Systems and their respective direct and indirect participants.

Except in certain circumstances described in Condition 7.11 with respect to non-U.S. dollar payments for Global Notes for which DTC is the clearing system, for so long as the Notes are represented by Global Notes, the Issuer will discharge its payment obligations thereunder by making payments through the relevant Clearing Systems. A holder of a beneficial interest in a Global Note must rely upon the procedures of the relevant Clearing System and its participants to receive payments in respect of their interests in such Global Note. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) and its participants to appoint appropriate proxies or to act directly. Similarly, holders of beneficial interests in the Global Notes might not have (or might have to prove their interests in order to have) a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes.

Benchmark Uncertainty - The regulation and reform of "benchmarks" might adversely affect the value of investments in Notes linked to or referencing such "benchmarks"

Interest rates and indices that are deemed to be "benchmarks" (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR and CNH HIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms might cause such benchmarks to perform differently than in the past, to disappear entirely or have other consequences that cannot be predicted. Any such consequence might have a material adverse effect on any Notes linked to or referencing such a "benchmark." The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things: (a) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (b) prevent certain uses by EU-supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark," in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes might, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark."

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks," might increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors might have the following effects on certain "benchmarks" (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR and CNH HIBOR): (a) discourage market participants from continuing to administer or contribute to the "benchmark," (ii) trigger changes in the rules or methodologies used in the "benchmark" and/or (c) lead to the disappearance of the "benchmark." Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations might have a material adverse effect on the value of and return on any investment in Notes linked to or

referencing a "benchmark."

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

Discontinuance of LIBOR - Future discontinuance of LIBOR might adversely affect the value of investments in Floating Rate Notes that reference LIBOR

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

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

Sanction Targets – Investors in the Notes might have indirect contact with Sanction Targets as a result of the Group's investments in and business with countries or persons on sanctions lists

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

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 might never be established or might be illiquid and this might adversely affect the price at which an investor could sell its investment in the Notes

The Notes generally will have no established trading market when issued and one might never develop or, if developed, it might not be sustained. If a market does develop, it might not be very liquid and investments in the Notes might trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank's financial condition. Therefore, investors might not be able to sell their investments in the Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market

and more price volatility than conventional debt securities. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes might be adversely affected.

Market Price Volatility – The market price of an investment in the Notes might be subject to a high degree of volatility

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

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

Exchange Rate Risks and Exchange Controls – If an investor has investments in Notes that are not denominated in the investor's home currency, then such investor will be exposed to movements in exchange rates adversely affecting the value of such investor's holding; in addition, the imposition of exchange controls in relation to any Notes might result in an investor not receiving payments on those Notes

Except as described otherwise herein, the Issuer will pay principal and interest on the Notes in the Specified Currency, which 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 might significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that the Turkish government and/or authorities with jurisdiction over the Investor's Currency might impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the interest and principal payable on the Notes and (c) the Investor's Currency-equivalent market price of an investment in the Notes.

Government and monetary authorities might impose exchange controls that might adversely affect an applicable exchange rate and/or the ability to convert and/or transfer currency. If this occurs, particularly if it directly affects the Bank's payments on the Notes, then an investor in the Notes might receive less interest or principal than expected, or no interest or principal and/or might receive payment in a currency other than the applicable Specified Currency. An investor might also not be able to convert (at a reasonable exchange rate or at all) amounts received in the applicable Specified Currency into the Investor's Currency, which might materially adversely affect the market price of an investment in the Notes. There might also be tax consequences for investors of any such currency changes.

Interest Rate Risk – The market price of an investment in the Notes might 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 interest rate paid on such Fixed Rate Notes, then this will adversely affect the market price of such Fixed Rate Notes. Investment in any Notes involves the risk of adverse changes in the market price of such Notes if the interest rate or (for Floating Rate Notes) margin of new similar notes of the Issuer would be higher.

Credit Ratings - Credit ratings assigned to the Issuer or any Notes might not reflect all risks associated with an investment in those Notes and might be lowered, suspended or withdrawn

The expected initial credit rating(s) (if any) of a Tranche of Notes will be set out in the Final Terms for such Tranche. Any relevant rating agency may lower, suspend or withdraw its rating if, in its sole judgment, the credit quality of the applicable Notes has declined or is in question. If any credit rating assigned to a Series is lowered, suspended or withdrawn, then the market price of an investment in the applicable Notes might decline.

In addition to the ratings of the Programme and/or a Series of Notes the Issuer provided by Moody's and Fitch, and the ratings of the Bank by Moody's, Fitch and S&P, one or more other independent credit rating agency(ies) might assign credit ratings to a Series of Notes and/or the Issuer. Also, if any credit rating assigned to QNB is lowered or put on negative watch, then such change might have a negative impact on the Issuer's credit rating. In addition, the ratings might not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that might affect the value or market price of an investment in the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and might be revised, suspended or withdrawn by the applicable rating agency at any time. Similar ratings on different types of securities do not necessarily mean the same thing. Ratings on any Notes also do not address the marketability of investments in such Notes or any market price. Any change in the credit ratings of any Notes or the Bank might adversely affect the price that a subsequent purchaser will be willing to pay for investments in such 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 also applies 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 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 might be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form (with or without interest coupons attached) or registered form (without interest coupons attached), in each case either as Global Notes or in definitive form. Bearer Notes will be issued in "offshore transactions" to persons who are not U.S. persons in reliance upon Regulation S and Registered Notes will be issued in "offshore transactions" to persons who are not U.S. persons in reliance upon Regulation S, to Dealers for re-sale to QIBs in reliance upon Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

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

(a) if such Bearer Global Notes are issued in new global note ("*NGN*") form, as stated in the applicable Final Terms, be delivered on or prior to the original Issue Date of such Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and

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

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) 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 investors, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons with respect thereto and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes or interest coupons.

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

NGN Form. Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will indicate whether such Bearer Global Notes are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Bearer Global Notes of the Issuer issued in respect of any Tranche in NGN form do not comply with certain of the conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Bearer Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

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

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

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 14 December 2005.

Registered Notes

The portion of the Registered Notes (or beneficial interests therein) of each Tranche offered and sold in reliance upon Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global note in registered form (each a "*Regulation S Registered Global Note*") or, if so specified in the applicable Final Terms, by a registered note in definitive form (a "*Definitive Regulation S Registered Note*" and, with each Regulation S Registered Global Note and each Bearer Note, being a "*Regulation S Note*"). Prior to expiration of the distribution compliance period (as defined in Regulation S) applicable to a Tranche of Regulation S Notes, a Regulation S Note (or beneficial interests therein) of such Tranche may not be offered or sold to, or for the account or benefit of, a U.S. person and such Regulation S Note will be subject to the restrictions on transfer set forth therein and will bear the applicable restrictive legend described in "Transfer and Selling Restrictions."

The portion of the Registered Notes (or beneficial interests therein) of each Tranche offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold by the Issuer or any person acting on its behalf: (a) to Institutional Accredited Investors who execute and deliver to the Issuer an IAI Investment Letter in which they agree to purchase such Notes (or beneficial interests) for their own account and not with a view to the distribution thereof, (b) to QIBs pursuant to Rule 144A or (c) in transactions that are otherwise exempt from the registration requirements of the Securities Act. The Registered Notes of each Tranche sold to Institutional Accredited Investors as described in clause (a) will be represented by one or more global note(s) in registered form (each an "*IAI Global Note*") or in definitive form ("*IAI Registered Notes*") and the Registered Notes of each Tranche sold to QIBs as described in clause (b) will be represented by one or more global note(s) in registered form (each a "*Rule 144A Global Note*" and, together with the Regulation S Registered Global Notes and the IAI Global Notes, each a "*Registered Global Note*"; each Registered Global Note and Bearer Global Note being a "*Global Note*"). Unless otherwise set forth in the applicable Final Terms, IAI Registered Notes will be issued only in minimum denominations of US$500,000 and integral multiples of US$1,000 in excess thereof. IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described in "*Transfer and Selling Restrictions*."

Registered Global Notes will either be: (a) deposited with a custodian for, and registered in the name of a nominee of, DTC or (b) deposited with a Common Depositary or, if the Registered Global Notes are to be held under the "new safekeeping structure" for registered global securities that are intended to constitute eligible collateral for Eurosystem monetary policy operations ("*NSS*"), a Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depositary or common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the

case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Notes are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Registered Global Notes of the Issuer issued in respect of any Tranche to be held under the NSS do not comply with certain conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Registered Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for Registered Global Notes to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

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

Transfer of Beneficial Interests. Beneficial interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in the same or another Registered Global Note of the same Series. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest except in accordance with the applicable procedures of the applicable Clearing System. Registered Notes (or beneficial interests therein) are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "Transfer and Selling Restrictions."

Exchange from Global Notes to Definitive Notes

The applicable Final Terms of a Tranche of Global Notes (other than a Temporary Bearer Global Note) will specify that such Global Notes may be exchanged in whole but not in part (free of charge) for definitive Bearer Notes or Registered Notes (as the case may be) with, if applicable for Bearer Notes, Coupons and Talons attached only upon the occurrence of an Exchange Event. "*Exchange Event*" means that: (a) an Event of Default exists with respect to the relevant Series, (b)(i) in the case of Registered Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for such Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, or (ii) in the case of Registered Notes registered in the name of a nominee for a Common Depositary or Common Safekeeper for Euroclear and Clearstream, Luxembourg and, in the case of Bearer Global Notes, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, 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 (c) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Notes represented by the applicable Global Note in definitive form and, accordingly, the Issuer has elected to request the exchange of such Global Note. Temporary Bearer Global Notes may be exchanged for definitive notes as described in "Bearer Notes – Temporary Bearer Global Notes" above.

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

In the event of the occurrence of an Exchange Event: (a) the Issuer will promptly give notice to the Noteholders of the applicable Series in accordance with Condition 15, which notice will specify the date for exchange, and (b) one or more of the relevant Clearing Systems or the common service provider for the relevant Clearing Systems (if the applicable Final Terms indicates that the applicable Global Note is intended to be a NGN) or the common depositary (if the applicable Final Terms indicates that such Global Note is not intended to be a NGN) on their behalf acting on the instructions of any holder of an interest in such Global Note may (in the case of the occurrence of an Exchange Event described in (a) or (b) of the definition of Exchange Event) give notice to the Fiscal Agent (with respect to Bearer Global Notes) or the Registrar (with respect to Registered Global Notes) requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) of the definition of Exchange Event above, the Issuer may give notice to the Fiscal Agent (with respect to Bearer Global Notes) or the Registrar (with respect to Registered Global Notes) requesting exchange. Any such exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent or the Registrar, as the case may be. Any such exchange will be made on any day (other than a Saturday or Sunday) on which banks are open for general business in London by the bearer of the applicable Global Note.

General

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

Repayment of the principal of 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 such Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of the applicable Series and payment in full of the amount due has not been made in accordance with the provisions of such Global Note, then such Global Note will become void at 8:00 p.m. (London time) on the applicable due date. At the same time holders of beneficial interests in such Global Note credited to their accounts with a Clearing System will, on the basis of statements of account provided by such Clearing System, become entitled to proceed directly against the Issuer on and subject to the terms of the Deed of Covenant dated 26 April 2018 (as amended, restated or supplemented from time to time, the "*Deed of Covenant*") and executed by the Issuer. In addition, as set out in clause (a) of the definition of Exchange Event above, holders of beneficial interests in such Global Note credited to their accounts with a Clearing System may request that any Paying Agent or, in respect of Registered Notes, the Registrar, deliver, on behalf of the Issuer, to the applicable Clearing System definitive Notes in exchange for their beneficial interest in such Global Note in accordance with the standard operating procedures of such Clearing System.

The Issuer may agree with any Dealer or investor that Notes may be issued in a form not contemplated by the Conditions of the Notes herein, in which event (for any listed issuance) a new prospectus or a supplement to this Base Prospectus, if appropriate, will be made available that 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 that, subject (for any transaction not listed on Euronext Dublin) to any necessary amendment, will be completed for each Tranche of Notes issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Notes (and beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area (each an "*EEA Retail Investor*"). For these purposes: (a) a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"), (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "*Prospectus Directive*"), and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe such Notes (or beneficial interests therein). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling the Notes (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor might be unlawful under the PRIIPs Regulation.][1]

[**MiFID II Product Governance / Eligible Counterparties and Professional Clients Only Target Market**

Solely for the purposes of [each][the] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (a) the target market for the Notes [(and beneficial interests therein)] is eligible counterparties and professional clients only, each as defined in MiFID II), and (b) all channels for distribution of the Notes [(and beneficial interests therein)] to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes [(or beneficial interests therein)] (a "*distributor*") should take into consideration the manufacturer['s][s'] target market assessment; *however*, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes [(or beneficial interests therein)] (by either adopting or refining the manufacturer['s][s'] target market assessment) and determining appropriate distribution channels.][2]

[*Date*]

FİNANSBANK A.Ş.

Legal Entity Identifier (LEI): 789000Q21SW842S9IJ58

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
under the US$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 Terms and Conditions of the Notes (the "*Conditions*") set forth in the base prospectus dated 26 April 2018 [and the supplement[s] to it dated [*date*] [and [*date*]]]

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1 *Only applicable where paragraph 8(f) of Part B of the Final Terms is marked as "Applicable."*

2 *Delete where none of the Managers/Dealers are MiFID II investment firms that are manufacturers pursuant to MiFID II for the purposes of the offering of the relevant series of Notes, or revise where the relevant manufacturers have determined that an alternative target market is appropriate for the offering of the relevant series of Notes (or beneficial interests therein). If this paragraph is included but the paragraph regarding the PRIIPS Regulation is not included, then include the definition of MiFID II in this paragraph.*

which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive][3] (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][4] and must be read in conjunction with 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 Issuer's website ([*insert website address*]).

[*The following alternative language for the above paragraph applies if the first Tranche of Notes of a Series that 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 Terms and Conditions of the Notes (the "*Conditions*") set forth in the base prospectus dated [*original date*] [and the supplement[s] to it dated [*date*] [and [*date*]]] that [is][are] incorporated by reference in the base prospectus dated 26 April 2018. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive][3] and must be read in conjunction with the base prospectus dated 26 April 2018 [and the supplement[s] to it dated [*date*] [and [*date*]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive][3] (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 Issuer's website ([*insert website address*]).

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

1.	Issuer:		QNB Finansbank A.Ş.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] *per cent.* of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [*insert date*] (*if applicable*)]

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

[4] *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 in which a prospectus is required to be published under the Prospectus Directive.*

6.	(a)	Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof] *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* *(Note – where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]."*)
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[Specify/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.		Maturity Date:	[●] [Interest Payment Date [falling in][nearest to] [●]] [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*.][5]
9.		Interest Basis:	[[ ] *per cent.* Fixed Rate] [[ ] [month] [[*currency*] [LIBOR/EURIBOR/ TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIB OR/CNH HIBOR]] +/- [ ] *per cent.* Floating Rate] [Zero Coupon] (*see further particulars in paragraph [14]/[15]/[16] below*)
10.		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
11.		Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ], paragraph [14/15] below applies, and, for the period from

[5] *For Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment, it will be necessary to use the second option here.*

			(and including) [ ] up to (and including) the Maturity Date, paragraph [14/15] below applies]/[Not Applicable] [ ]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [Not Applicable] [(*see paragraph [18]/[19]/[20] below*)]
13.	(a)	Status of the Notes:	Senior
	(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

14.	Fixed Rate Note Provisions:		[Applicable][Not Applicable] (*If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] *per cent. per annum* payable in arrear on [the/each] Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date/[*specify other*][6] (*Amend appropriately in the case of irregular coupons. In the case of Modified Fixed Rate Notes, insert regular interest payment dates and also complete paragraph (g) below as applicable. Paragraph (g) is not relevant to Fixed Rate Notes where Interest Periods and Interest Amounts are not subject to adjustment and either: (i) a customary Following Business Day Convention is to apply in accordance with Condition 7.6 to any date for payment that is not a Payment Business Day or (ii) such payment dates are not otherwise to be subject to adjustment by reference to any other Business Day Convention.*)
	(c)	Fixed Coupon Amount(s):	[[ ] per Calculation Amount] [Not Applicable] (*Applicable only to Notes initially issued in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment*)

[6] *For certain Renminbi-denominated Fixed Rate Notes, Interest Periods and Interest Amounts are subject to adjustment and the following proviso should be added: "provided that if any Interest Payment Date falls on a day that is not a Business Day, then such Interest Payment Date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day."*

(d)	Broken Amount(s):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] (*Applicable only to Notes initially issued in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment*)
(e)	[Day Count Fraction:	[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)]][7] (*Delete this sub-paragraph in the case of Modified Fixed Rate Notes*)
(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)* *(Delete this sub-paragraph in the case of Modified Fixed Rate Notes)*
(g)	Modified Fixed Rate Notes:	[Applicable][Not Applicable] (*Modified Fixed Rate Notes are Fixed Rate Notes: (i) the terms of which provide for Interest Periods and Interest Amounts to be subject to adjustment or (ii) for which Interest Periods and Interest Amounts are not subject to adjustment but a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Periods and Interest Amounts subject to adjustment:	[Applicable][Not Applicable]
	(ii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] (*Only applicable where Interest Periods and Interest Amounts are subject to adjustment*)
	(iii) Specified Business Centre(s):	[ ][Not Applicable] (*Only applicable where Interest Periods and Interest Amounts are subject to adjustment. This paragraph relates to Interest Period end dates and not the date of payment to which sub-paragraph (vi) below relates*)

[7] *Applicable to Renminbi-denominated Fixed Rate Notes.*

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

(v) Payment Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

(*Only applicable where Interest Periods and Interest Amounts are not subject to adjustment and a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day*)

(vi) Specified Financial Centre(s): [ ][Not Applicable]

(*Only applicable if a Payment Business Day Convention is specified in sub-paragraph 14(g)(v). Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph (iii) above relates*)

15. Floating Rate Note Provisions: [Applicable][Not Applicable]

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

(a) Specified Period(s)/Specified Interest Payment Dates: [ ][, not subject to adjustment, as the Business Day Convention in sub-paragraph (b) below is specified to be Not Applicable]

(*Specified Period(s)/Specified Interest Payment Dates may not be subject to adjustment in accordance with a Business Day Convention in the case of Modified Floating Rate Notes. In these circumstances only, paragraph (m) below will be applicable*)

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable][8]

(*Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance*)

(c) Specified Business Centre(s): [ ][Not Applicable][9]

(*Note that this paragraph relates to Interest Period end dates and not the date of payment to which paragraph 23 relates. Complete unless paragraph (m) below is applicable. See note*

[8] *Not applicable in the case of Modified Floating Rate Notes only.*
[9] *Not applicable in the case of Modified Floating Rate Notes only.*

		to paragraph (a) above for guidance)
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[ ][Not Applicable]
(f)	Screen Rate Determination:	[Applicable][Not Applicable]
	• Reference Rate:	[ ] month [[*currency*] [LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR]
	• Specified Time:	[ ] *(11:00 a.m. in the case of LIBOR, EURIBOR, ROBOR, PRIBOR, SIBOR, WIBOR and HIBOR, 11:15 a.m. in the case of CNH HIBOR, 11.30 a.m. in the case of TRLIBOR and 12:00 noon in the case of NIBOR)*
	• Relevant Financial Centre:	[London] [Brussels] [İstanbul] [Bucharest] [Prague] [Hong Kong] [Singapore] [Oslo] [Warsaw] [ ]
	• 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, the second İstanbul business day prior to the start of each Interest Period if TRLIBOR, the second Bucharest business day prior to the start of each Interest Period if ROBOR, the second Prague business day prior to the start of each Interest Period if PRIBOR, the first day of each Interest Period if HIBOR, the second Singapore business day prior to the start of each Interest Period if SIBOR, the second Oslo business day prior to the start of each Interest Period if NIBOR, the second Warsaw business day prior to the start of each Interest Period if WIBOR and the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR)*
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01, then ensure it is a page that shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	[Applicable][Not Applicable]
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]

		• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR-based option, the first day of the Interest Period*) *(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending upon market circumstances, might not be available at the relevant time)*
	(h)	Linear Interpolation:	[Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(i)	Margin(s):	[+/-] [ ] *per cent. per annum*
	(j)	Minimum Rate of Interest:	[[ ] *per cent. per annum*][Not Applicable]
	(k)	Maximum Rate of Interest:	[[ ] *per cent. per annum*][Not Applicable]
	(l)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
	(m)	Modified Floating Rate Notes:	[Applicable][Not Applicable] (*If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
		(i) Payment Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
		(ii) Specified Financial Centre(s):	[ ][Not Applicable]
16.	Zero Coupon Note Provisions:		[Applicable][Not Applicable] (*If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] *per cent. per annum*
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360]

[Actual/365]

PROVISIONS RELATING TO REDEMPTION

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

18. Issuer Call: [Applicable][Not Applicable]

(*If not applicable, then delete the remaining sub-paragraphs 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, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Fiscal Agent*)

19. Investor Put: [Applicable][Not Applicable]

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

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [ ] per Calculation Amount

(c) Notice periods: Minimum period: [ ] days
Maximum period: [ ] days

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

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a) Form:

[Bearer Notes:]

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

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

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

[Definitive Bearer Notes]

[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 14 December 2005, or (ii) in the United States of America.]

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

[Registered Notes:]

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

[Rule 144A Global Note(s) registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes upon an Exchange Event]

[Definitive Regulation S Registered Note]

[Rule 144A Definitive Registered Note]

		[Definitive IAI Registered Notes] [IAI Global Note registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes upon an Exchange Event] *(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Note(s) and Definitive IAI Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available*)
	(b) [New Global Note:	[Yes][No]]
23.	Specified Financial Centre(s):	[ ][Not Applicable] (*Note that this paragraph relates to the date of payment and not Interest Period end dates, to which sub-paragraph 15(c) relates. Delete this paragraph if sub-paragraphs 14(g)(vi) or15(m)(ii) are completed*)
24.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

25.	USD Payment Election:	[Applicable][Not Applicable] (*Only applicable for Notes the Specified Currency of which is Turkish Lira*)

PROVISIONS APPLICABLE TO RMB NOTES

26.	RMB Currency Event:	[Applicable][Not Applicable] *(If not applicable, then delete the remaining sub-paragraphs of this paragraph.)*
	(a) Party responsible for calculating the Spot Rate:	[[ ] (the "*Calculation Agent*")]
	(b) RMB Settlement Centre(s):	[ ][Not Applicable]

[THIRD PARTY INFORMATION

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

Signed on behalf of **QNB FİNANSBANK A.Ş.**

By: ..... By: .....

Duly authorised *Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

Ratings:	[Not Applicable][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 any associated defined terms*]. *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the Notes to be issued have been specifically rated, that rating.)* [Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is not established in the European Union but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is not established in the European Union but is certified under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is not established

in the European Union and is not certified under Regulation (EC) No. 1060/2009, (the "*CRA Regulation*") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.]

(The above additional disclosure in respect of the relevant credit rating agencies is only required in Final Terms for Notes that are to be admitted to trading on a regulated market in the European Union.)

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

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

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

4. YIELD (Fixed Rate Notes only)

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

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

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

6. BENCHMARKS REGULATION (*Floating Rate Notes only*)

The below is provided in connection with the EU Benchmarks Regulation (Regulation (EU) 2016/1011) of 8 June 2016 (the "*Benchmarks Regulation*").

(a)	Name of "benchmark administrator" as described in the Benchmarks Regulation:	[ ]
(b)	Such "benchmark administrator" appears on the register of administrators maintained pursuant to Article 36 of the Benchmarks Regulation:	[Yes][No]

7. OPERATIONAL INFORMATION

(a)	ISIN:	[ ][Not Applicable]
(b)	Common Code:	[ ][Not Applicable]
(c)	CUSIP:	[ ][Not Applicable]

(d)	CINS:	[ ][Not Applicable]
(e)	CFI:	[ ][Not Applicable]
(f)	FISN:	[ ][Not Applicable] (*If the CFI and/or FISN is/are not required, requested or available, then it/they should be specified to be "Not Applicable*")
(g)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(h)	Delivery:	Delivery [against/free of] payment
(i)	Names and addresses of additional Paying Agent(s) (if any):	[ ][Not Applicable]
(j)	Deemed delivery of clearing system notices for the purposes of Condition 15:	[Any notice delivered to Noteholders of Notes held through a clearing system will be deemed to have been given on the [first] [second] [business] day after the day on which it was given to the relevant clearing system.][Not Applicable]
(k)	Intended to be held in a manner that would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][*include this text for Registered Notes that are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Notes that are to be held under the NSS*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give name(s)*]
(c)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name(s)*]
(d)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(e)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2][Rule 144A] [Section 4(a)(2)][Rules identical to those provided in [TEFRA C][TEFRA D] applicable][TEFRA not applicable]
(f)	Prohibition of Sales to EEA Retail Investors:	[Applicable][Not Applicable] (*If the Notes clearly do not constitute "packaged" products, then "Not Applicable" should be specified. If the Notes might constitute "packaged" products and no key information document will be prepared, then "Applicable" should be specified.*)
(g)	Prohibition of Sales to Belgian Consumers:	[Applicable] [Not Applicable] (*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction.*)

9. REASONS FOR THE OFFER

[ ][The net proceeds from the issue of the Notes will be applied by the Issuer for its general corporate purposes.]

(*See "Use of Proceeds" in the Base Prospectus. If the reason for the offer is different from general corporate purposes, then such specific reason will need to be included here.*)

TERMS AND CONDITIONS OF THE NOTES

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

Terms and Conditions of the Notes

"*Notes*" in these Terms and Conditions (the "*Conditions*") means: (a) in relation to any notes represented by a global Note (a "*Global Note*"), which note might be in either bearer form ("*Bearer Notes*") or registered form ("*Registered Notes*"), such Global Note (or any nominal amount thereof of a Specified Denomination), and (b) in relation to any Bearer or Registered Notes in definitive form, such definitive Notes.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 26 April 2018 (as further amended and/or supplemented and/or restated from time to time, the "*Agency Agreement*") and made among the Issuer, The Bank of New York Mellon, London Branch as fiscal and principal paying agent and exchange agent (the "*Fiscal Agent*" and the "*Exchange Agent*," which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the "*Paying Agents*," which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar (as defined below), the "*Transfer Agents*," which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "*Registrar*," which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note. References to the "*applicable Final Terms*" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The expression "*Prospectus Directive*" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

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

Any reference to "*Noteholders*" or "*holders*" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of such Notes and (in the case of Registered Notes) the Persons in whose name such Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "*Couponholders*" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant dated 26 April 2018 and made by the Issuer (such deed of covenant as modified and/or supplemented and/or restated from time to time, the "*Deed of*

Covenant"). The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll dated 26 April 2018 and made by the Issuer (such deed poll as modified and/or supplemented and/or restated from time to time, the "*Deed Poll*") and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the other Paying Agents, the Registrar, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the "*Agents*"). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*"), then the applicable Final Terms will be published on the Issuer's website (as of the date hereof, at: https://www.qnbfinansbank.com/en/investor-relations/financial-information/Default.aspx).). If this Note is neither admitted to trading on a regulated market in the European Economic Area (the "*EEA*") nor offered in the EEA in circumstances in which a prospectus is required to be published under the Prospectus Directive, then the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In these Conditions: (a) "*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, and (b) "*Renminbi*" and "*RMB*" refer to the lawful currency of the People's Republic of China (the "*PRC*"), which (for the purposes of these Conditions) excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan.

For the purposes of these Conditions, the term "*law*" shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

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

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

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

1.2 Title

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfer in accordance with the provisions of the Agency Agreement. The Issuer and each of the Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or

Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next two succeeding paragraphs.

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

For so long as any of the Notes of a Series are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each Person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as the case may be, as to the nominal amount of such Notes standing to the account of any Person shall be conclusive and binding for all purposes except in the case of manifest error) shall, upon receipt of such certificate or other document by the Issuer or an Agent, be treated by the Issuer or such Agent (as applicable) as the holder of such nominal amount of such Notes (and the bearer or registered holder of such Global Note shall be deemed not to be the holder) for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of any such Bearer Global Note or the registered holder of any such Registered Global Note shall be treated by the Issuer and each Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of such Global Note; *it being understood* that, with respect to any beneficial interests held by or on behalf of Euroclear and/or Clearstream, Luxembourg in a Registered Global Note held by DTC or a nominee thereof, the rules of the preceding paragraph shall apply, and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by direct and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such beneficial interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for a Note of the same Series in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case, only in the Specified Denomination(s) set out in the applicable Final Terms (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the then-applicable rules and operating procedures of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the applicable Final Terms; *it being understood* that both the transferee and (if less than a transfer of its entire interest) the transferor must immediately thereafter retain beneficial interests in such Registered Global Note in an amount at least equal to the minimum Specified Denomination. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Condition 2.4, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Final Terms); *it being understood* that both the transferee and (if less than a transfer of its entire interest) the transferor must immediately thereafter retain beneficial interests in an amount at least equal to the minimum Specified Denomination. In order to effect any such transfer: (a) the holder or holders must: (i) surrender such Registered Note for registration of the transfer of such Registered Note (or of the relevant part of such Registered Note) at the specified office of any Transfer Agent, with the form of transfer (substantially in the form set out in the Agency Agreement, completed as appropriate) thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deliver such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the Person making the request. Any such transfer will be subject to such additional reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement).

Subject as provided in the preceding paragraph, the relevant Transfer Agent will, within three business days (being for this purpose a day on which commercial banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws), authenticate (or procure the authentication of), and deliver (or procure the delivery of) at its specified office to the specified transferee (or, if so requested by the specified transferee and at the risk of such transferee, send by uninsured mail to such address as such transferee may request), a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of such transferor) sent by uninsured mail to the transferor; *it being understood* that both the new Registered Note for the transferee and the transferor must be in a Specified Denomination. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Costs of registration

Noteholders will not be charged by the Issuer or any of the Agents for any the costs and expenses of effecting any registration of transfer of the Notes in the Register (as defined in Condition 7.4 below) as provided in this Condition 2, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or any Agent may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

2.4 Noteholder establishment of clearing of a definitive Registered Note

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

3. STATUS OF THE NOTES

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

4. NEGATIVE PLEDGE

4.1 Negative Pledge

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

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

(b) another Security Interest or (whether or not it includes the giving of a Security Interest) another arrangement is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders, or

(c) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof that is created pursuant to: (i) a bond, note or other indebtedness whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such bond, note or other indebtedness, a "*Covered Bond*"), or (ii) any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided* that the aggregate then-existing balance sheet value of assets or revenues subject to any Security Interest created in respect of: (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of all outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at the time of the incurrence thereof, exceed 15% of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with the BRSA Accounting and Reporting Principles).

4.2 Interpretation

For the purposes of these Conditions:

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

"*Relevant Indebtedness*" means: (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities that (with the consent of the issuer of the indebtedness) are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction, in each case having a maturity in excess of 365 days, and (b) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, that may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the Banking Regulation and Supervision Agency (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the "*BRSA*")) for: (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant, the Deed Poll and the Notes or for the validity or enforceability thereof or (b) save to the extent any failure to do so does not and would not have a material adverse effect on: (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer's ability to perform its obligations under the Notes, the conduct by it of the Permitted Business.

5.2 Transactions with Affiliates

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

5.3 Financial Reporting

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

(a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon,

(b) in the event that the Issuer prepares and publishes consolidated financial statements for the first six months of any financial year of the Issuer in accordance with IFRS, not later than 120 days after the end of that period, English language copies of such financial statements for such six-month period, together with (if prepared) the financial statements for the corresponding period of the preceding financial year,

(c) not later than 120 days after the end of each financial year of the Issuer, English language copies of its audited consolidated financial statements for such financial year, prepared in accordance with BRSA Accounting and Reporting Princples, together with the financial statements for the preceding financial year, and all such interim financial statements of the Issuer shall be accompanied by the report of the auditors thereon, and

(d) not later than 120 days after the end of each of the first three quarters of each financial year of the Issuer, English language copies of its unaudited (or, if published, audited) consolidated financial statements for such three month period, prepared in accordance with BRSA Accounting and Reporting Principles, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

5.4 Interpretation

For the purposes of these Conditions:

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

"*BRSA Accounting and Reporting Principles*" means the laws (including the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, other regulations on the accounting records of banks published by the board of the BRSA and circulars and interpretations published by the BRSA) relating to the accounting and financial reporting of banks in Turkey and the requirements of Turkish Accounting Standards for the matters not regulated by such laws.

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

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

(a) whose total assets (consolidated in the case of a Subsidiary that itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited BRSA financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; *provided* that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer,

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; *provided* that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer's next audited consolidated BRSA financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above, or

(c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); *provided* that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 15% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of the Issuer's

next audited consolidated BRSA financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

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

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

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

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

"*Turkish Accounting Standards*" means "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Public Oversight, Accounting and Auditing Standards Authority (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA.

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 specifies the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any other applicable amount of interest payable in respect of any period (a "*Broken Amount*"), the Calculation Amount, the Day Count Fraction, any applicable Determination Date and whether the provisions relating to Modified Fixed Rate Notes will be applicable.

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

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

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

(a) in the case of Fixed Rate Notes that are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note, or

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency (with half of any such sub-unit being rounded upwards or otherwise in accordance with any other applicable market convention with the written consent of the Issuer). 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.

If Modified Fixed Rate Notes is specified as applicable in the applicable Final Terms and Interest Periods and Interest Amounts are specified as being subject to adjustment, then a Business Day Convention shall also be specified in the applicable Final Terms and (where applicable) Interest Payment Dates shall be postponed or brought forward, as the case may be, in accordance with Condition 6.6(b) and the relevant Interest Period and Interest Amount payable on the Interest Payment Date for such Interest Period will be adjusted accordingly.

6.2 Interest on Floating Rate Notes

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

(a) **Interest Payment Dates**

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

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

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

Such interest shall be payable in respect of each Interest Period.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes shall 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 for a Tranche as the manner in which the Rate of Interest for such Tranche is to be determined, the Rate of Interest for such Tranche for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i), "*ISDA Rate*" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of Notes of this Series (the "*ISDA Definitions*") and under which:

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

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

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

(ii) Screen Rate Determination for Floating Rate Notes

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

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page), or

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

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

If the Relevant Screen Page is not available or if, in the case of Condition 6.2(b)(ii)(A), no offered quotation appears or if, in the case of Condition 6.2(b)(ii)(B), fewer than three offered quotations appear, in each case, as at the Specified Time, then the Fiscal Agent shall request each of the Reference Banks 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 promptly so provide the Fiscal Agent with offered quotations, then the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, then the Rate of Interest for the relevant Interest Period shall be the rate *per annum* that the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks promptly provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the 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 interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any); *provided* that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, then the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

If the applicable Final Terms for a Tranche of Floating Rate Notes 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 Condition 6.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Tranche for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Tranche of Floating Rate Notes 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 Condition 6.2(b) above is greater than such Maximum

Rate of Interest, the Rate of Interest for such Tranche for such Interest Period shall be such Maximum Rate of Interest.

A Final Terms may specify both a Minimum Rate of Interest and a Maximum Rate of Interest for a Tranche. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(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 (or any other relevant period).

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

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

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

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

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based upon 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* that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

6.3 Notification of Rate of Interest and Interest Amounts

In the case of Floating Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are specified in the applicable Final Terms as being subject to adjustment, the Fiscal Agent will cause: (a) to be notified to the Issuer and any stock exchange on which the relevant Note are for the time being listed: (i) each Interest Amount for each Interest Period and the relevant Interest Payment Date and (ii) in the case of Floating Rate Notes, the Rate of Interest, and (b) notice thereof to be published in accordance with Condition 15, in each case, as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the

Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "*London Business Day*" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

6.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 and Condition 7.9 whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default or fraud) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

6.5 Accrual of interest

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

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

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

6.6 Day Count Fraction and Business Day Convention

(a) Day Count Fraction

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

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

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "*Accrual Period*") is equal to or shorter than the Determination Period during which the Accrual Period ends, then 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, then 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.

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

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

(A) in the case of Fixed Rate Notes, on the basis of a year of 360 days with 12 30-day months, and

(B) in the case of Floating Rate Notes, on a formula basis as follows:

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

where:

"*Y1*" is the year, expressed as a number, in which the first day of such period falls,

"*Y2*" is the year, expressed as a number, in which the day immediately following the last day of such period falls,

"*M1*" is the calendar month, expressed as a number, in which the first day of such period falls,

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

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

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

(iii) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 365 (or, if any portion of such period falls in a leap year, the sum of: (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365),

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

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

(vi) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 360,

(vii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, then the number of days in the Interest Period (or other Relevant 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 such period falls,

"*Y2*" is the year, expressed as a number, in which the day immediately following the last day of such period falls,

"*M1*" is the calendar month, expressed as a number, in which the first day of such period falls,

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

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

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

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

where:

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

"*Y1*" is the year, expressed as a number, in which the first day of such period falls,

"*Y2*" is the year, expressed as a number, in which the day immediately following the last day of such period falls,

"*M1*" is the calendar month, expressed as a number, in which the first day of such period falls,

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

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

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

(b) Business Day Convention

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

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

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

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

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

6.7 Interpretation

In these Conditions:

"*Business Day*" means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Specified Business Centre (other than the Trans-European Automatic Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "*TARGET 2 System*")) specified in the applicable Final Terms,

(b) if the TARGET 2 System is specified as a Specified Business Centre in the applicable Final Terms, then a day on which the TARGET 2 System is open, and

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

"*Interest Amount*" means the amount of interest,

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

"*Reference Banks*" means:

(a) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market,

(b) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market,

(c) in the case of a determination of TRLIBOR, the principal Istanbul office of four major banks in the Turkish Lira interbank market,

(d) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Romanian interbank market,

(e) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague interbank market,

(f) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market,

(g) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market,

(h) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian interbank market,

(i) in the case of a determination of WIBOR, the principal Warsaw office of four major banks in the Warsaw interbank market, and

(j) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong interbank market,

in each case, as selected by the Fiscal Agent in consultation with the Issuer or as specified in the applicable Final Terms,

"*Reference Rate*" means, unless otherwise specified in the applicable Final Terms: (a) the London interbank offered rate ("*LIBOR*"), (b) the Euro-zone interbank offered rate ("*EURIBOR*"), (c) the Turkish Lira interbank offered rate ("*TRLIBOR*"), (d) the Hong Kong interbank offered rate ("*HIBOR*"), (e) the Romanian interbank offered rate ("*ROBOR*"), (f) the Prague interbank offered rate ("*PRIBOR*"), (g) the Singapore interbank offered rate ("*SIBOR*"), (h) the Norwegian interbank offered rate ("*NIBOR*"), (i) the Warsaw interbank offered rate ("*WIBOR*") or (j) the CNH Hong Kong interbank offered rate ("*CNH HIBOR*"), in each case, as specified in the applicable Final Terms,

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

"*Specified Time*" means, unless otherwise specified in the applicable Final Terms: (a) 11:00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, Bucharest time, in the case of a determination of ROBOR, Prague time, in the case of a determination of PRIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR and Warsaw time, in the case of a determination of WIBOR), (b) 11:15 a.m. (Hong Kong time, in the case of a determination of CNH HIBOR), (c) 11:30 a.m. (Istanbul time, in the case of a determination of TRLIBOR), and (d) 12:00 p.m. (Oslo time, in the case of a determination of NIBOR), and

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

7. PAYMENTS

7.1 Method of payment

Subject as provided in this Condition 7 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 that processes payments in the Specified Currency. Subject to Condition 7.5, no payment of principal, interest or other amounts due in respect of a Bearer Note will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (a) any fiscal or other laws applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (b) any withholding or deduction ("*FATCA Withholding Tax*") required pursuant to FATCA.

In these Conditions, "*FATCA*" means: (a) an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), (b) Sections 1471 through 1474 of the Code, (c) any regulations or agreements thereunder or official interpretations thereof, (d) any intergovernmental agreement between the United States and any other governmental authority entered into in connection with the implementation of the foregoing or (e) any applicable law implementing such an intergovernmental agreement.

7.2 Presentation of definitive Bearer Notes and Coupons

Notwithstanding any other provision of these Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below in this Condition 7.2) be made in the manner provided in Condition 7.1 only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of such definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (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 that on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon; *provided* that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid thereon after that date is less than the nominal amount of such Note.

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

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Registered Notes

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

Except as set forth in the next and final sentences of this paragraph, 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 applicable Registered Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on such Record Date and at that holder's risk. Upon application of that 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, such payment will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes that become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of a Registered Note on redemption will be made in the same manner as the final payment of the principal of such Registered Note as described in the preceding paragraph.

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

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

None of the Issuer or any of 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

Except as provided in the Deed of Covenant, the holder of a Global Note shall be the only Person entitled to receive payments in respect of the Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the Persons shown in

the records of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, as the beneficial owner of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for such Person's share of each payment so made by or on behalf of the Issuer to, or to the order of, the holder of such Global Note. Except as provided in the Deed of Covenant, no Person other than the registered holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

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

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

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

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

7.6 Payment Business Day

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

For these purposes:

"*Payment Business Day*" means any day that (subject to Condition 10) is:

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

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

(ii) any Specified Financial Centre (other than the TARGET 2 System) specified in the applicable Final Terms, and

(iii) if the TARGET 2 System is specified as a Specified Financial Centre in the applicable Final Terms, a day on which the TARGET 2 System is open,

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

(c) in the case of any payment in respect of a Global Note, a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, settle(s) payments in the applicable Specified Currency (or, with respect to DTC, U.S. dollars).

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

(a) Following Business Day Convention, the next following Payment Business Day,

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

(c) Preceding Business Day Convention, the immediately preceding Payment Business Day.

7.7 Interpretation of principal and interest

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

(a) any additional amounts that may be payable with respect to such principal under Condition 9,

(b) the Final Redemption Amount of such Note,

(c) the Early Redemption Amount of such Note,

(d) the Optional Redemption Amount(s) (if any) of such Note,

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5) of such Note, and

(f) any premium and any other amounts (other than interest) that may be payable by the Issuer under or in respect of such Note.

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

7.8 RMB account

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

"*RMB Settlement Centre(s)*" means the financial centre(s) specified as such in the applicable Final Terms in accordance with applicable laws. If no RMB Settlement Centre is specified in the relevant Final Terms, then the RMB Settlement Centre shall be deemed to be Hong Kong.

7.9 RMB Currency Event

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

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

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 6.4:

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

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

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

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

"*RMB*" means Renminbi, the currency of the PRC,

"*RMB Currency Event*" means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility,

"*RMB Illiquidity*" means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make a payment, of 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 enacted by a Governmental Authority (unless such law is enacted after the Issue Date of the first Tranche of Notes of this Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law),

"*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 enacted by a Governmental Authority (unless such law is enacted after the Issue Date of the first Tranche of Notes of this Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law), and

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

on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

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

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

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

(b) Upon receipt of the Lira Amount from the Issuer and by no later than 11:00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall (on or prior to the Relevant Payment Date) 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 rate which the Exchange Agent uses to convert such currency into U.S. dollars at the request of its other customers, 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 promptly notify the Fiscal Agent of: (i) the total amount of U.S. dollars purchased with the relevant Lira Amount and (ii) the Applicable Exchange Rate at which such U.S. dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

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

(d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. dollars with the Lira Amount, then the Exchange Agent will promptly so notify the Fiscal Agent, which shall, as soon as practicable after receipt of such notification from the Exchange Agent, notify the applicable Noteholders of such event in accordance

with Condition 15 and all payments on the applicable 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 Fiscal Agent's order or under its control until the applicable U.S. dollar payment is made, and

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

(f) Notwithstanding any other provision in these 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, (iii) the Exchange Agent may rely conclusively on the basis on which the Applicable Exchange Rate has been determined and (iv) neither the Issuer nor any Agent shall 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.

(g) The Exchange Agent may convert currency itself or through any Affiliates and, in those cases, the Exchange Agent or, as the case may be, the relevant Affiliate through which currency is converted acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other Person and earns revenue, including, without limitation, transaction spreads, sales margin, that it will retain for its own account. The revenue is based upon, among other things, the difference between the exchange rate assigned to the currency conversion and the rate that the Exchange Agent or any Affiliate receives when buying or selling foreign currency for its own account. The Exchange Agent makes no representation that the exchange rate used or obtained in any currency conversion under these Conditions will be the most favourable rate that could be obtained at the time or as to the method by which that rate will be determined.

(h) Notwithstanding any provisions of these Conditions or the applicable Final Terms, in respect of any Notes that are the subject of a USD Payment Election in respect of any payment, the definition of Payment Business Day shall, for the purposes of such payment on the Relevant Payment Date, be deemed to include a day (other than Saturday or Sunday) on which commercial banks are not authorised or required by law to be closed in New York City.

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

In the case of any Notes represented by a 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 elects (through the applicable DTC participant and in accordance with normal DTC practice) to receive such payment in such Specified Currency in the manner specified in the Agency Agreement 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 the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

8.2 Redemption for taxation reasons

If:

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

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

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

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

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

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

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

If an Issuer Call is specified as being applicable in the applicable Final Terms, then the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 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 applicable) with all interest accrued and unpaid to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount (if any) and not more than the Maximum Redemption Amount (if any), in each case, as may be specified in the applicable Final Terms; *provided* that

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

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

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

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

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

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

(a) if this Note is in definitive form and held outside of a clearing system, then the Noteholder hereof must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "*Put Notice*") and in which the holder of the Note must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2; if this Note is in definitive bearer form, then the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to such Paying Agent's order or under its control, and

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

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable, given by a holder of any Note (or, if a Global Note, an interest therein) pursuant to this

Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

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

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of Notes of this Series, at the Final Redemption Amount thereof,

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount that is or may be less or greater than the Issue Price of the first Tranche of Notes of this Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount, or

(c) in the case of a Zero Coupon Note, at an amount (the "*Amortised Face Amount*") calculated in accordance with the following formula:

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

where:

"*RP*" means the Reference Price,

"*AY*" means the Accrual Yield expressed as a decimal, and

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

8.6 Purchases by the Issuer and/or its Subsidiaries

The Issuer and/or any of its Subsidiaries may at any time purchase or otherwise acquire (or have a third party do so for its benefit) Notes (or beneficial interests therein) (*provided* that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market or otherwise, including (without limitation) in its capacity as a broker for a customer. Such Notes (or beneficial interests therein), and, in the case of definitive Bearer Notes, the related Coupons and Talons, may be held, resold or, at the option of the Issuer or (with the Issuer's consent) any such Subsidiary (as the case may be) for those Notes held by it, surrendered to any Paying Agent and/or the Registrar for cancellation; *provided* that any such resale or surrender of a definitive Bearer Note shall include a sale or surrender (as applicable) of all related unmatured Coupons and Talons.

8.7 Cancellation

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

8.8 Late payment on Zero Coupon Notes

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

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

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

9. TAXATION

9.1 Payment without Withholding

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

(a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or, as the case may be, Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon or the receipt of payment in respect thereof,

(b) presented for payment in Turkey, or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder of the relevant Note or, as the case may be, Coupon would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 7.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer, any Paying Agent or any other Person be required to pay any additional amounts in respect of the Notes (including on Coupons) for, or on account of, any withholding or deduction required pursuant to FATCA.

In these Conditions:

(i) the "*Relevant Date*" means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the

due date, it means the date on which, the full amount of such money having been so received, notice to that effect has been duly given to the holder of the relevant Note or Coupon, as the case may be, by the Issuer in accordance with Condition 15, and

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

9.2 Additional Amounts

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

10. PRESCRIPTION

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

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

11. EVENTS OF DEFAULT

11.1 Events of Default

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

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

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

(c) if: (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any Qualifying Guarantee given by it in relation to any Indebtedness for Borrowed Money of any other Person, subject to any applicable grace period,

(d) if:

(i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries,

(ii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part, or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries suspends or threatens to suspend payment of, or is unable to (or admits inability to) pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated, declared or found by a competent authority to be (or becomes) bankrupt or insolvent,

(iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness, or

(iv) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken or legal proceedings are started: (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (B) shall or propose to make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors,

in each case in sub-paragraphs (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of the whole or substantially the whole of its business and/or assets to, the Issuer or one or more other Subsidiary(ies) of the Issuer, or

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

11.2 Interpretation

For the purposes of this Condition 11:

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

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities,

(b) any borrowed money, or

(c) any liability under or in respect of any acceptance or acceptance credit,

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

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

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of

Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to: (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer and the Fiscal Agent or, as applicable, the Registrar may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with this Series, then 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 the United States, and

(d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall as soon as practicable appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 7.5.

Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

Any variation, termination, appointment or change of an Agent shall only take effect (other than in the case of insolvency or a Paying Agent ceasing to be a FATCA-Compliant Entity or as otherwise prescribed by the Agency Agreement, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

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

For the purposes of this Condition, "*FATCA-Compliant Entity*" means a person payments to whom are not subject to any FATCA Withholding Tax.

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 to Noteholders regarding the Bearer Notes will be deemed to be validly given if published in a leading English language newspaper of general circulation in London. It is anticipated (but not required) that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes (if any) are for the time being listed or by which they have been admitted to trading, including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date by which publication has occurred in all required newspapers.

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

So long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, they may be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, for communication by them to the holders of interests in the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of interests in such Notes on such day as is specified in the applicable Final Terms after the day on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable (or, if not so specified, on the second London Business Day after the date on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, 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 relevant Note(s), with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). For so long as any Notes are represented by a Global Note, such notice may be given by any holder of an interest in such Global Note to the Fiscal Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, 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 (including any of these Conditions), the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer at any time and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5% in nominal amount of the Notes for the time being outstanding. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the Person(s) who convened (or, if applicable, caused the Issuer to convene) such meeting giving at least five days' notice which, in the case of a meeting convened by the Issuer, will be given to the Noteholders in accordance with Condition 15.

The quorum at any such meeting for passing an Extraordinary Resolution is one or more Person(s) holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of

these Conditions, the Notes or the Coupons (including modifying the Maturity Date of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more Person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more Person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders shall be binding upon all the Noteholders, whether or not they are present at any meeting and whether or not they vote on the resolution, and on all Couponholders.

The Agency Agreement provides that: (a) a resolution in writing signed on behalf of the Noteholders of not less than 75% in principal amount of the Notes for the time being outstanding (whether such resolution in writing is contained in one document or several documents in the same form, each signed on behalf of one or more Noteholders) or (b) consent given by way of electronic consents through the relevant clearing systems by or on behalf of Noteholders of not less than 75% in principal amount of the Notes for the time being outstanding will, in each case, take effect as if it were an Extraordinary Resolution and shall be binding upon all Noteholders.

16.2 Modification

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

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further Notes having terms and conditions the same as those of this Series of Notes, or the same in all respects save for the amount and/or date of the first payment of interest thereon, the issue date and/or the date from which interest starts to accrue, and so that the same shall be consolidated and form a single Series with such outstanding Notes; *provided* that the Issuer shall ensure that such further Notes will be fungible with such outstanding Notes for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k) unless the original Notes were, and such further Notes are, offered and sold solely in reliance upon Regulation S in offshore transactions to persons other than U.S. persons.

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 that exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

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

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) have exclusive jurisdiction to settle any disputes that arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that it is an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings arising out of or in connection with the Notes and the Coupons (together referred to as "*Proceedings*") (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions to the extent allowed by law.

19.3 Consent to enforcement

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

19.4 Appointment of process agent

Service of process in respect of any Proceedings in England may be made upon the Issuer at Qatar National Bank (Q.P.S.C.), London Branch (with a current address of 51 Grosvenor Street, London, W1K 3HH, United Kingdom) and the Issuer undertakes that in the event of such process agent ceasing to maintain a branch in London it will appoint another Person as its agent for that purpose.

19.5 Other documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent in England for service of process, in terms substantially similar to those set out above.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of each Tranche of the Notes, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes; *however*, for any particular Series, the Bank may agree (and so specify in the Final Terms for the Tranche(s) of such Series) with the relevant Dealer(s) or investor(s) that the proceeds of the issuance of the applicable Notes shall be used for one or more specific purpose(s), such as environmental development or sustainability. The use of proceeds, if any, provided in the Final Terms for each Tranche in a Series with more than one Tranche shall be the same.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables present selected consolidated financial and other data of the Bank and entities that consolidate into the Bank as of and for the years ended 31 December 2015, 2016 and 2017. Investors should read this selected consolidated financial information along with the BRSA Financial Statements incorporated by reference into this Base Prospectus. The BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with the BRSA Accounting and Reporting Principles described in more detail in the accounting principles included in the notes to the BRSA Financial Statements and in "Presentation of Financial and Other Information."

	2015	2016	2017
Income Statement Data:		*(TL thousands)*	
Interest income	7,835,586	9,034,828	11,404,451
Interest expense	(3,752,831)	(4,356,208)	(5,588,804)
Net interest income	**4,082,755**	**4,678,620**	**5,815,647**
Fees and commissions received	1,653,836	1,767,919	2,148,614
Fees and commissions paid	(266,598)	(323,042)	(366,026)
Net fees and commissions income	**1,387,238**	**1,444,877**	**1,782,588**
Other operating and net trading income	(454,573)	(250,396)	(1,002,081)
Dividend income	58	170	1,454
Net Operating income	**5,015,478**	**5,873,271**	**6,597,608**
Other operating expenses	(2,874,440)	(2,938,079	(3,125,770)
Provision for loan losses and other receivables	(1,207,444)	(1,390,423)	(1,268,992)
Gain/loss on equity method	(49,538)	(11,755)	38,531
Profit before taxes	**884,056**	**1,533,014**	**2,241,377**
Tax charge	(203,642)	(294,714)	(469,026)
Net profit/(loss)	**680,414**	**1,238,300**	**1,772,351**

	As of 31 December		
	2015	**2016**	**2017**
Balance Sheet Data:		(*TL thousands*)	
Cash and balances with the Central Bank	9,997,045	13,103,884	15,882,272
Financial assets at fair value through profit or loss (net)	2,368,688	2,847,693	2,604,110
Banks	318,139	312,066	1,299,772
Money market placements	87,711	1,667,618	241,859
Loans and receivables	57,062,195	62,614,093	82,428,356
Investment securities (net)[(1)]	9,169,564	12,932,620	15,518,539
Investment in equity participations (net)[(2)]	127,847	116,091	145,028
Tangible assets (net)	1,581,509	1,838,308	1,942,793
Intangible assets (net)	270,040	288,218	338,761
Current tax asset	6,846	4,737	12,181
Deferred tax assets	100,943	66,967	34,894
Other assets[(3)]	6,958,539	8,533,539	10,746,100
Total Assets	**88,049,066**	**104,325,834**	**131,194,665**
Bank deposits	1,556,770	1,972,985	2,344,879
Deposits from customers[(4)]	46,754,507	51,892,264	65,198,496
Money market borrowings	4,809,261	6,619,833	6,999,767
Funds borrowed	6,066,057	11,163,545	18,012,026
Other liabilities and provisions[(5)]	10,910,299	12,607,960	11,833,984
Securities issued (net)	5,826,987	6,331,577	10,398,025
Subordinated loans	2,662,119	3,235,793	3,510,837
Current tax liabilities	57,581	198,098	419,559
Deferred tax liabilities	-	-	48,751
Total liabilities	**78,643,581**	**94,022,055**	**118,766,324**
Paid-in capital	3,000,000	3,150,000	3,350,000
Share premium	714	714	714
Available-for-sale investments reserve, net of tax	(244,259)	(420,153)	(229,575)
Net gains (losses) on cash flow hedges	81,175	45,551	231,847
Other capital reserves	(45,674)	(43,654)	(68,312)
Profit reserves	5,621,561	6,329,182	7,365,587
Profit or loss	802,739	1,236,405	1,771,786
Total equity attributable to equity holders of the parent shareholder	**9,216,256**	**10,298,045**	**12,422,047**
Minority shares	189,229	5,734	6,294
Total shareholders' equity	**9,405,485**	**10,303,779**	**12,428,341**
Total liabilities and shareholders' equity	**88,049,066**	**104,325,834**	**131,194,665**
Off-balance sheet commitments and contingencies	**46,233,364**	**55,251,188**	**73,697,223**

(1) Represents the total of investment securities available-for-sale (net) and investment securities held to maturity (net).
(2) Represents the total of investment in associates (net), investment in subsidiaries (net) and entities under common control (joint ventures) (net).
(3) Represents the total of factoring receivables, lease receivables (net), derivative financial assets hedging purposes, assets held for sale and discontinued operations and other assets.
(4) Referred to as "other deposits" in the BRSA Financial Statements.
(5) Represents the total of derivative financial liabilities for hedging purposes, derivative financial liabilities for trading, provisions, sundry creditors and other liabilities.

The following table includes certain of the Group's key ratios as of and for the years ended 31 December 2015, 2016 and 2017. The basis for calculation of ratios that are non-GAAP financial measures is set out in the notes below. Non-GAAP

financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Accounting and Reporting Principles. See "Presentation of Financial and Other Information."

	As of (or for the year ended) 31 December		
Key Ratios:	**2015**	**2016**	**2017**
Profitability Ratios:			
Net interest margin[(1)]	6.2%	6.4%	6.3%
Other operating expenses as a % of total average assets[(2)]	3.4%	3.1%	2.6%
Cost-to-income ratio[(3)]	57.3%	50.0%	47.4%
Return on average total assets[(4)]	0.8%	1.3%	1.5%
Return on average shareholders' equity excluding minority interest[(5)]	7.4%	12.7%	15.6%
Balance Sheet Ratios:			
Deposits to total assets (total deposits including bank deposits)	54.9%	51.6%	51.5%
Total loans (net of provisions) to total assets[(6)]	64.9%	60.0%	62.8%
Credit Quality:			
Non-performing loans to total gross cash loans	6.3%	5.8%	5.1%
Specific provisions for loan losses to non-performing loans	80.3%	83.9%	81.5%
Specific provisions for loan losses to total loans	5.1%	4.9%	4.1%
Capital Adequacy:			
Tier 1 regulatory capital/risk-weighted assets and market risk[(7)]	12.0%	12.4%	11.8%
Total regulatory capital/risk-weighted assets and market risk[(7)]	15.5%	14.3%	14.5%
Average shareholders' equity excluding minority interest/average total assets[(8)]	10.6%	10.2%	9.6%
Other Information:			
Average employees during the period	13,341	13,073	12,841
Branches at period end (Bank-only)	643	630	580
Inflation rate/GDP			
Producer price index inflation[(9)]	5.7%	9.9%	15.5%
Gross Domestic Product (% change) **[(10)]**	6.1%	2.9%	7.4%
TL/US$ Exchange Rate:			
Period end	2.9076	3.5318	3.8104

(1) Represents net interest income *divided by* average interest earning assets. Average interest earning assets are computed by taking the average of the quarter-end balances of the Bank's available-for-sale investment securities (net), investment securities held to maturity (net), financial assets at fair value through profit or loss (net), money market placements, loans and receivables, leasing receivables (net) and factoring receivables.

(2) Represents other operating expenses *divided by* average total assets. Average total assets are computed by calculating the average of the quarter-end balances during the relevant reporting period.

(3) Represents other operating expenses *divided by* net operating income.

(4) Represents net profit *minus* minority shares of net profit as a percentage of average total assets. Average total assets are computed by calculating the average of the quarter-end balances during the relevant reporting period.

(5) Represents the Group's net profit *minus* minority shares of net profit *divided by* average shareholders' equity excluding minority shares. Average shareholders' equity excluding minority shares is computed by calculating the average of the quarter-end balances during the relevant reporting period.

(6) Represents total loans *divided by* total assets.

(7) Capital adequacy ratios calculated in accordance with BRSA guidelines.

(8) Represents the average total equity attributable to equity holders of the Bank as a percentage of average total assets. Average total assets is computed by taking the average of the quarter-end balances during the relevant reporting period.

(9) Base year –2003.

(10) Represents the growth of GDP.

CAPITALISATION OF THE GROUP

The following table sets forth the capitalisation of the Group as of the indicated dates. The following financial information has been extracted from the Group's BRSA Financial Statements without material adjustment. This table should be read in conjunction with the Group's BRSA Financial Statements (including the notes thereto) incorporated by reference into this Base Prospectus.

	As of 31 December		
	2015	**2016**	**2017**
		(TL thousands)	
Paid-in capital	3,000,000	3,150,000	3,350,000
Share premium	714	714	714
Available-for-sale investments reserve, net of tax	(244,259)	(327,478)	(229,575)
Net gains (losses) on cash flow hedges	81,175	45,551	231,847
Minority shares	189,229	5,734	6,294
Reserves and retained earnings	6,378,626	7,521,933	9,069,061
Total equity	**9,405,485**	**10,303,779**	**12,428,341**
Funds borrowed (medium/long-term)[(1) (2)]	5,020,097	10,434,031	14,297,675
Debt securities issued (medium/long-term)[(1)]	5,056,911	4,528,692	6,132,693
Total capitalisation	**19,482,493**	**25,266,502**	**32,858,709**

(1)Funds borrowed and debt securities issued do not include short-term (less than one year) borrowed funds and debt securities issued.
(2)Includes US$910.0 million of the Bank's Tier 2 subordinated debt instruments.

As of the date hereof, there has been no significant change in total capitalisation since 31 December 2017.

BUSINESS OF THE GROUP

General

The Bank is a Turkish private commercial bank that provides banking products and services to retail, corporate, commercial and SME banking and other customers through a network of branches (580 branches as of 31 December 2017) operating in major cities throughout Turkey. As of 31 December 2017, according to the most recent statistics published before the date of this Base Prospectus on the Public Disclosure Platform, the Bank was the fifth largest private bank in Turkey in terms of Bank-only total assets with TL 125.9 billion total assets. Since 15 June 2016, following the completion of the transfer of shares from the NBG Group to QNB, the Bank has been a subsidiary of QNB. QNB, together with its subsidiaries and associate companies, is a leading banking group operating in 27 countries around the world, primarily in the Middle East and North Africa region. See "Share Capital and Ownership – Ownership."

Since its initial entry to the Turkish banking market in 1987, the Bank has grown its branch network significantly. The Bank's branch network increased from 309 branches as of 31 December 2006 to 580 branches as of 31 December 2017, consisting of 559 full-service branches, 13 retail-only branches, four corporate-only branches and four commercial-only branch located in 42 commercial centres in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya. The Bank also has a branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain. Following significant investment in its branch network, the Group now aims to maintain the number of its branches at approximately the current levels. The Group, through the Bank and its subsidiaries and other affiliates, also undertakes leasing, factoring, insurance and investment banking activities. As of 31 December 2017, the Group had total assets of TL 131.2 billion, loans and receivables of TL 82.4 billion, total deposits of TL 67.5 billion and total equity of TL 12.4 billion.

In addition to its branch network, the Group has made significant investments in alternative delivery channels such as ATMs, a POS network, internet banking, mobile banking and a call centre. In October 2012, the Group launched Enpara.com, an online banking platform designed to provide banking and payment services to retail customers in Turkey without the use of any physical branches. Since its establishment, Enpara.com has grown its registered customer base from 18,000 customers to over 884,000 customers as of 31 December 2017, with 76.0% of such customers not having been pre-existing customers of the Group.

The Group has three main business segments: retail banking, SME banking and corporate and commercial banking, additional information about each of which is provided below:

- *Retail Banking*. The Group's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits, investments and insurance products. The Group's offerings to retail customers are divided into three main further sub-groups: (a) private banking, which serves individuals with liquid assets under management exceeding TL 750,000 through customised service offerings, (b) the affluent segment, which serves individuals with assets under management between TL 100,000 and TL 750,000, offering features such as dedicated relationship managers and a diverse set of banking and non-banking services and benefits, and (c) the mass market segment with a wide variety of products and services. Retail banking has been one of the principal drivers of the Group's growth during recent years. As of 31 December 2017, the Group had approximately 4.0 million retail banking customers (excluding credit card customers) and the Group had performing retail loans and receivables (including mortgage, retail credit card and consumer loans (which comprise personal need loans, overdrafts and auto loans)) of TL 26.5 billion, representing 32.3% of the Group's performing loans and receivables (representing total gross loans, including financial assets at fair value through profit and loss, *minus* specific provisions).

- *SME Banking*. The Bank's SME banking activities consist primarily of revolving credit lines, instalment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The SME banking segment consists of: (a) Agricultural Banking, (b) SME Banking Small Enterprises, which serves enterprises with annual revenues of up to TL 4.0 million, and (c) SME Banking Medium Enterprises, which serves enterprises with annual revenues between TL 4.0 million and TL 40.0 million. In recent years, SME banking has represented an increasingly important part of the Group's overall

loan portfolio. As of 31 December 2017, the Group's SME banking operations had more than 387,000 active customers and performing loans and receivables of TL 25.4 billion, representing 31.0% of the Group's performing loans and receivables.

- *Corporate and Commercial Banking*. The Group's corporate and commercial banking activities primarily consist of traditional and non-cash lending, project and structured finance, trade finance, cash management, corporate syndication, secondary market transactions, deposit taking and certificated debt instruments. The corporate and commercial banking segment consists of: (a) corporate banking, which serves large businesses (including multinational corporations), and (b) commercial banking, which serves enterprises with annual revenues between TL 20.0 million and TL 300.0 million. As of 31 December 2017, the Group's corporate and commercial banking operations had approximately 12,100 customers and performing loans and receivables of TL 30.1 billion, representing 36.7% of the Group's performing loans and receivables.

The Group also undertakes leasing, factoring, insurance and investment banking activities through its subsidiaries and other affiliates.

History

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

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

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

NBG acquired 46.0% of the Bank's ordinary shares and 100.0% of its founder dividend shares in August 2006, which founder dividend shares are to be redeemed in accordance with the Bank's Board of Directors resolution, dated 16 September 2014. In January 2007, NBG acquired a further 43.4% of the Bank's outstanding ordinary shares through a tender offer required by its initial acquisition.

In April 2007, following an agreement signed in January of the same year, NBG disposed of 5.0% of the Bank's ordinary shares to the International Finance Corporation (the "*IFC*"). During 2007, NBG acquired a further 0.5% of the outstanding share capital of the Bank.

On 9 November 2012, the Bank disposed of 51.0% of Finans Emeklilik ve Hayat Anonim Şirketi ("*Finans Pension*") to Cigna for TL 202.9 million and also established a so-called earn-out structure of preference dividends paid to the Bank. As of the date of this Base Prospectus, the Bank held 49.0% of the shares of Finans Pension. Following the sale transaction, Finans Pension has been accounted for in the Group's financial statements using the equity method. In 2012, the Bank and Finans Pension signed an exclusive agency agreement for the duration of 15 years that covers the Bank's distribution of Finans Pension's life insurance and pension products. In 2013, Finans Pension's title was changed to Cigna Finans Emeklilik ve Hayat Anonim Şirketi ("*Cigna Finans Pension*").

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

The Bank's ordinary shares were listed for the first time on the Borsa İstanbul on 3 February 1990. The Bank undertook a secondary public offering on 3 June 1998 when Global Depositary Receipts, representing its ordinary shares, were listed on the London Stock Exchange.

On 29 March 2007, NBG and the IFC entered into a put and call option agreement (the "*Put and Call Option Agreement*") relating to the IFC's shares in the Bank. On 26 September 2014, the IFC exercised its put option under this agreement and sold to NBG 1,417,499,438.73 shares that it held in the Bank, representing 5.0% of the ordinary shares of the Bank, in exchange for US$343,060,696.50 (US$2.420182239 for TL 1 nominal share) pursuant to the provisions set forth in the Put and Call Option Agreement.

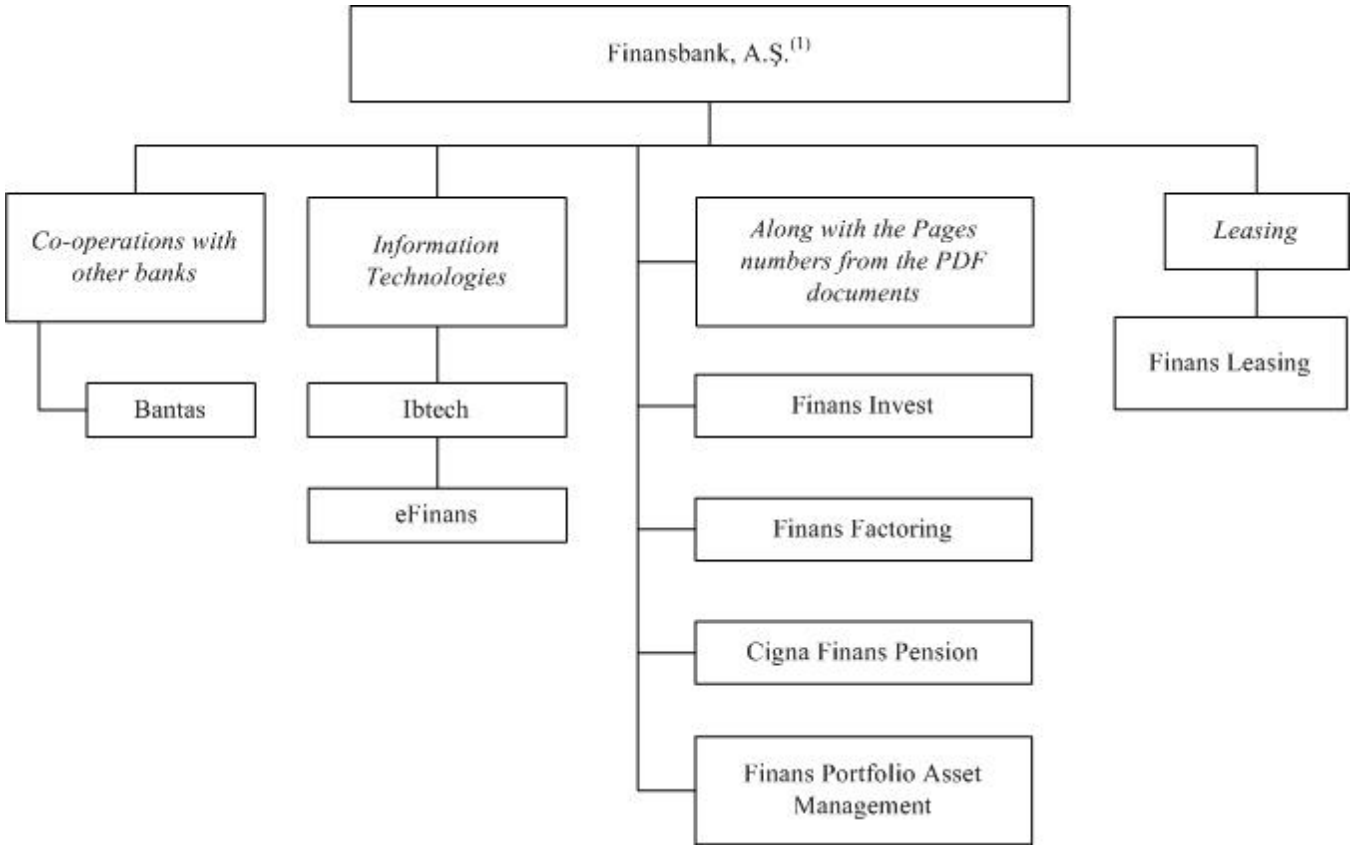
On 9 November 2015, the BRSA approved the Bank's acquisition of the shares that Banque PSA Finans SA held in Hemenal Finansman A.Ş. ("*Hemenal Finansman*"), a company providing consumer finance loans. Such share transfer was finalised on 14 December 2015.

On 21 December 2015, NBG entered into the Share Purchase Agreement with QNB regarding the sale of its direct and indirect 99.81% stake in the Bank. On 15 June 2016, NBG and its subsidiaries holding shares in the Bank and other NBG Group companies transferred all of their shares to QNB, which shares, as of such date, corresponded to: (a) 99.81% of the share capital of the Bank, (b) 0.2% of the share capital of Finans Invest, (c) 0.02% of the share capital of Finans Portfolio Asset Management and (d) 29.87% of the share capital of Finans Leasing). In accordance with the Communiqué, the shareholders of the Bank (other than QNB) had a right to sell their shares in the Bank to QNB within a three month period starting on 16 June 2016. At the end of such period, as of 16 September 2016, 99.88% of the shares of the Bank were owned by QNB and the remaining shares were traded on the Borsa İstanbul. See "Share Capital and Ownership."

The marketing name of the Bank was changed to QNB Finansbank on 20 October 2016.

Corporate Structure

The following chart shows the subsidiaries and joint ventures of the Group as of the date of this Base Prospectus.



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

Retail Banking

Overview

The Group's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investment management, and insurance products. Income from the Group's retail banking activities includes net interest income from loans and receivables to/from retail customers and deposits collected from individuals, as well as fee and commission income received from loan underwriting, asset management services, life insurance and property and casualty insurance products, credit and debit card-related services, settlements and cash-related transactions with or for individuals. Even though the Group has been reducing its exposure to retail customers since 2012, retail banking has been one of the principal drivers of the Group's growth in recent years. As of 31 December 2017, the Group had approximately 4.0 million active retail banking customers (excluding credit card customers) compared to approximately 4.8 million as of 31 December 2016 and had loans and receivables of TL 26.5 billion (which represented 32.3% of the Group's total loans and receivables) compared to TL 22.0 billion as of 31 December 2016.

Since entering the Turkish retail banking market in 1995, the Bank has developed a network of branches that are designed to sell a full range of the Group's financial products dedicated exclusively to retail and corporate customers. The Bank offers a full range of retail and corporate banking and related financial services through 580 of its full-service branches, as well as 13 retail-only financial services, as of 31 December 2017. The Bank's policy is to make all of its retail products available at all of its branches (excluding four corporate branches, a branch in Atatürk International Airport Free Trade Zone and one branch in Bahrain) and have a retail customer representative or relationship manager in each branch.

The Bank's management believes that its approach of combining branches with alternative delivery channels has resulted in a network that is both productive and efficient. As of 31 December 2017, the Group's retail branches had an average retail loan volume of TL 45.6 million and, according to the Banks Association of Turkey, the Group had (as of

31 December 2017) the most productive branch network in Turkey in terms of branch retail loan volumes, even though it was the youngest network among its Private Sector Peers with an average branch age of 13.7 years as of such date. The expansion of the retail branch network has allowed the Group to organically grow its customer base. See also "– Branches."

The Bank's goal for its retail banking operations is to become the bank of choice for individuals, providing fast, efficient and relationship-oriented services, addressing customer needs and differentiating its offerings so as to steer away from spread compression in the market. The key pillars of the Bank's retail banking strategy are a dynamic sales network consisting of high productivity branches and what the Bank believes are market-leading alternative sales and distribution channels, a marketing engine continuously deploying innovative products and campaigns, unparalleled customer and product analytics boosting both customer and product profitability, and state of the art risk management supporting healthy business growth.

The Group's retail banking operations are divided into two main groups: Consumer Banking and Credit Cards. Consumer Banking operations are further divided into three sub-groups, namely private banking, affluent (high-income) banking and mass market banking, each of which is described as follows:

- *Private banking*: This segment, which had approximately 7,505 active customers and represented 0.3% of the Group's retail loans and receivables (and 20.7% of the Group's retail deposit base) as of 31 December 2017, assists customers build and preserve their financial wealth through tailored investment strategies and offers its customers time deposits, mutual funds, emerging market bonds, domestic and international equities, government bonds, corporate bonds, currency exchange, forward contracts, futures, options and structured products. The private banking sub-segment also creates and implements mid- to long-term asset allocation in line with each customer's particular risk tolerance. This segment serves customers with assets under management exceeding TL 750,000 (or the Turkish Lira-equivalent of such amount in one or more currencies) at the Bank. The private banking sub-segment supports all of the Group's business lines (retail, corporate and commercial) and cooperates with Finans Portfolio Asset Management and Finans Invest to execute and advise clients' transactions.

- *Affluent (high-income) banking*: This segment, branded as "Xclusive Banking," had approximately 59,330 active customers and represented 1.3% of the Group's retail loans and receivables (and 51.9% of the Group's retail deposit base) as of 31 December 2017. "Xclusive Banking" was launched at the beginning of 2009 and serves customers with assets under management between TL 100,000 and TL 1,000,000. The service offering to affluent banking customers is centred on dedicated relationship managers in branches supported by dedicated agents at the call centre, offering a diverse and exhaustive set of banking and non-banking benefits. Given the focus of the segment towards higher income customers, the customers are provided with daily investment advisory and investment products targeted to the segment. The Bank is the only bank in Turkey to have established a Retail Sector Banking Unit focused on developing banking relationships with medical doctors.

- *Mass Market Banking*: This segment, which had approximately 4.6 million active customers and represented 65.7% of the Group's retail loans and receivables (and 27.4% of the Group's retail deposit base) as of 31 December 2017, is served through a more standardised product set and packaged offerings. Customer acquisition in the mass market segment is mostly executed through consumer loan, credit card, mortgage sales and salary account relations. Although cross-sales at the point of acquisition are a key part of customer profitability improvement, strong central customer analytics-driven portfolio management activities further boost customer profitability and retention. Such activities are executed by central outbound and inbound call centre teams and other alternative delivery channels such as Internet and mobile banking in addition to the branch sales efforts. Moreover, packaged offers designed for mass market customers help to improve additional product penetration to overall customer portfolio. Sub-segment programmes such as the retiree package and the salary-account package serve the same purpose while creating a good platform for customer communication. Companies that made salary payments through the Bank in 2017 decreased by 7.1% compared to 2016. As of 31 December 2017, the mass market segment had 703 customer representatives operating out of 481 retail and one satellite branches.

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

Loans

The following table sets forth the Group's retail loans per category as of the indicated dates.

	As of 31 December		
	2015	**2016**	**2017**
		(TL thousands)	
Mortgages	4,961,091	5,131,039	5,625,445
Retail credit card loans	7,716,848	7,793,705	8,664,010
Personal need loans	6,531,774	7,839,095	10,779,100
Auto loans	32,061	24,890	20,212
Overdrafts and other loans	2,387,930	1,210,796	1,365,739
Total retail loans	**21,629,704**	**21,999,525**	**26,454,506**

Mortgages: The Group offers a variety of mortgage products covering mortgage loans of up to 180 months, with outstanding mortgages having an average outstanding principal amount of TL 5.2 billion and an average mortgage loan size of TL 55,505 as of 31 December 2017. The Group has pioneered a number of mortgage products in the Turkish market, including low instalment mortgages, no commission mortgages and investment mortgages, and the Bank was also the first bank in Turkey to initiate partnerships with real estate developers for mortgage sales during the construction phase. Each of the Group's mortgage loans is secured with collateral that is required to have a value in excess of the relevant loan at all times. As of 31 December 2017, the Group had outstanding mortgage loans of TL 5.6 billion, which comprised 21.3% of the Group's retail loan portfolio as of such date.

The Group's loan-to-value ratio for its total mortgage book was approximately 54.1% as of 31 December 2017. Each of the Bank's mortgage loans is secured with collateral, which is always required to have a value in excess of the loan. The Bank had a 3.2% market share of the retail mortgage loan market in Turkey as of 31 December 2017, compared to 3.8% and 3.4% as of 31 December 2015 and 2016, respectively, ranking sixth among private banks in the Turkish banking sector according to statistics published by the BRSA. Having gained significant market share in mortgages between 2005 and 2010, the Group began to decelerate its growth in mortgages, even before its overall shift away from the retail segment, due to limited opportunities to grow profitability further in the mortgage market.

Credit Card Loans: The Bank issues credit cards under the CardFinans brand. The Bank earns interest income on outstanding credit balances, transaction commissions from merchants, cash withdrawal fees, annual membership fees from cardholders and other service-based fees such as insurance fees and payment fees. As of 31 December 2017, the number of retail credit cards issued by the Group exceeded 4.5 million and represented 7.6% of the total Turkish retail credit card market, according to statistics published by the Turkish Interbank Card Center (*Bankalararası Kart Merkezi*) ("*BKM*"). The Group's performing retail credit card loan portfolio was TL 8.7 billion and represented 32.8% of the Group's retail loan portfolio as of 31 December 2017. For additional information on the Bank's credit card business, see "- Credit Cards" below.

The Bank had a 9.7% market share of the credit card market (by the total loan amount) in Turkey as of 31 December 2017, compared to 9.8% and 9.5% as of 31 December 2015 and 2016, respectively, according to statistics published by the BRSA, ranking fifth among private banks in the Turkish banking sector. Following adverse regulatory changes that impacted the profitability of the Group's credit card business, the Group's management decided to maintain its overall presence in the Turkish credit card market.

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

The Bank's market share in personal need loans, overdraft and other loans (by the total loan amount) in Turkey was 6.1% as of 31 December 2017, compared to 5.7% and 5.4% as of 31 December 2015 and 2016, respectively, ranking fifth among private banks in the Turkish banking sector (*i.e.*, excluding state-owned banks) according to statistics published by the

BRSA. The Bank's management views personal need loans as an important part of the Bank's retail banking strategy and intends to develop new products and distribution channels to increase market share in personal need loans. The Group has also put in place new risk measures designed to improve the cost of risk associated with the Group's personal need loans business.

Auto Loans: The Bank offers term loans to its retail banking customers to finance the acquisition of automobiles, with the Group providing car loans of up to 70.0% of the automobile's value for new vehicle purchases. As of 31 December 2017, the Group had outstanding auto loans of TL 20.2 million, representing 0.1% of the Group's retail loan portfolio. The Bank's market share in Turkey for auto loans (by the total loan amount) as of 31 December 2017 was 0.3% according to statistics published by the BRSA.

Overdrafts and other Loans: The Bank provides overdraft loans as an additional feature provided to debit card holders permitting them to access cash instantly and easily. The Bank believes that strong marketing support and central analytics contributed to its 11.5% market share in overdraft products as of 30 September 2017, according to statistics published by the Banks Association of Turkey. In October 2013, the Bank launched a product named "Ready Credit," an overdraft product with an instalment feature that contributed to an increase in the Bank's market share. Total outstanding overdraft and other loans as of 31 December 2017 were TL 1.4 billion, representing 5.2% of the Group's retail loan portfolio.

Since the beginning of 2012, the Group has undertaken new measures to improve the overall risk profile of its retail banking business. These measures include: (a) gradually increasing consumer loan and credit card score cut-offs to reduce probability of default rates, (b) actively managing lending limits to reduce exposure at default of credit card customers, (c) more aggressively using risk-based pricing and targeted advertising for high-quality customers and (d) proactively targeting certain low-risk potential customer groups. Following these new measures, the percentage of NPLs recorded within six months after origination with respect to retail loans originated in each of 2015, 2016 and 2017 was 0.5%, 0.4% and 0.3%, respectively.

The Group has also undertaken certain key activities to help maintain its overall retail banking market share, particularly in relation to general purpose consumer loans. These activities include: (a) providing general purpose consumer loans with pre-approved limits for customers with a strong existing credit history with the Group, (b) extending instalment loans through the Group's customer call centre, its ATM network and the internet, (c) extending consumer loans through retail distribution partnerships with other Turkish companies and (d) utilising risk-based pricing criteria more aggressively to increase loans to higher quality customers.

Retail Deposits and Investment Products

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

Retail Deposits: The following table sets forth the Group's retail deposits per category as of the indicated dates.

	As of 31 December		
	2015	**2016**	**2017**
		(TL thousands)	
Demand deposits	1,836,314	2,518,720	5,943,384
Time deposits	27,126,046	31,061,012	35,334,578
Total retail (individual) deposits	**28,962,360**	**33,579,732**	**41,277,962**

Since 2012, the Group has been particularly focused on increasing its demand deposit base from its private and affluent retail banking customers. As of 31 December 2017, demand deposits represented 9.0% of the assets under management for private or affluent retail banking customers, compared to 7.8% and 8.3% as of 31 December 2016 and 2015, respectively.

The Group has also further centralised the management of its retail customer deposit pricing decisions with the aim of lowering the average interest rate paid on retail deposits. Although pricing decisions for retail deposits historically have been centralised, previously relationship managers or branch managers had some discretion to set rates for certain of the Bank's retail deposits. Such discretion has been reduced through the development and use of a pricing algorithm, which has resulted in more centralised management of pricing for retail deposits.

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

Since 2013, the Group has also concentrated its efforts on creating new gold-based investment products for retail customers and sales of Turkish Lira bond issuances to retail customers. With products such as its "gold accumulation account," "gold-indexed deposit account" and "gold collection day," each providing specific methods to save and invest in gold or gold-indexed products, the Group had approximately 207,770 gold accumulation accounts that form part of the Group's deposit base, with approximately 202,474 gold accumulation account customers and approximately 488,016 gold account customers as of 31 December 2017.

Credit Cards

The Bank offers a diverse range of credit cards under the umbrella brand name of "CardFinans". The Bank believes that CardFinans appeals to different customer segments with its Classic, Gold, Platinum, CardFinans Xtra (mass affluent segment), CardFinans Emekli (senior citizen segment), ClubFinans (premium segment), GO (university segment) and VadeKart (commercial segment) brands as well as co-branded and affinity cards. CardFinans offers features such as instalments, discounts and a customer loyalty programme called "Gift Money" that was launched in June 2014 and allows cardholders to buy and send pre-paid gift cards to friends and family for purchases at various retail shops in Turkey in amounts of up to TL 1,500. The CardFinans SME Business Card addresses the particular needs of SMEs by offering an instalment credit facility and a post-instalment feature. VadeKart was launched in February 2010 with postdating transaction, transaction instalment, postdating statement, express limit and authorised card user group features to strengthen the position of CardFinans in SME business services. The Bank launched Fix Card in May 2010, which offers instalment, discount and MoneyPoint features with no annual fee charge. The Group re-launched Fix Card in August 2012 as a contactless dual card that has credit card and debit card features in one card. The Group had issued approximately TL 1.3 million Fix Cards as of 31 December 2017 and, as a pioneer in the Turkish credit card market, Fix Card Contactless had attracted 63,500 customers as of 31 December 2017. "İlk Kartım" (My First Credit Card) launched in October 2013 and targets customers who do not have any credit history. The programme helps customers adapt to credit card usage and encourages them to spend and pay regularly.

The Group's performing retail credit card loan portfolio was TL 8.7 billion, and represented 10.6% of the Group's performing loans and receivables and 32.8% of the Group's performing retail loan portfolio, as of 31 December 2017 (TL 7.8 billion, 12.5% and 35.4%, respectively, as of 31 December 2016). The Group's net fee and commissions from credit card operations amounted to TL 893.7 million for 2017, or 13.5% of the Group's net operating income for that period (TL 784.7 million and 13.4% for 2016). In addition, interest earned from credit card balances totalled TL 1,135.2 million for 2017, or 10.0%, of the Group's total net interest income for the same period (TL 1,161.4 million and 24.8% for 2016).

Regulations introduced by the BRSA in the fourth quarter of 2013 require the companies that provide credit card products and services to, among other things, increase the monthly minimum payments required to be paid by cardholders, include credit card receivables in the calculation of the non-performing consumer loans to total consumer loans ratio, offer at least one type of credit card with no annual subscription fee and limit credit card instalment payments for certain types of purchases. In 2015, the BRSA published the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 and lowered the risk weighting for credit card instalment payments from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor).

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

	2015	2016	2017
Outstanding balance	9.7%	9.5%	9.5%
Total sales	8.3%	8.0%	7.6%

Source: The Banks Association of Turkey.

As of 31 December 2017, the total number of credit cards issued by the Group was 5.0 million (representing 8.0% of the total Turkish credit card market according to statistics published by BKM) and the number of member merchants was 173,005. As of the same date, within the Turkish credit card market, the Group was the third largest Visa card issuer in terms of the number of cards issued according to statistics published by BKM.

SME Banking Department

The Bank's SME banking activities consist primarily of revolving credit lines, instalment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The goal of the SME Banking Department is to achieve sustainable and profitable growth by determining customer needs and providing quick and tailor-made solutions. SME Banking is divided into three sub-segments: (a) SME Banking Small Enterprises, which serves customers with annual turnover of less than TL 4.0 million, (b) SME Banking Medium Enterprises, which serves customers with annual turnover between TL 4.0 million to TL 40.0 million, and (c) Agricultural Banking.

According to data published by Small and Medium Enterprises Development of Turkey (*Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı – KOSGEB*), SMEs accounted for 99.8% of all companies in Turkey, 75% of the workforce and 63% of Turkey's business turnover and contributed to 59% of Turkey's exports in 2017. The Group expects SMEs to be the main driver of future growth in the banking sector, particularly given measures by Turkish regulatory authorities to reduce the general reserve requirements for cash and non-cash loans provided for SMEs for export purposes. The volume of SME loans in the Turkish banking sector has grown at a CAGR of 21.6% from 31 December 2006 to 31 December 2017, and SME loans penetration (measured by total SME loans as a percentage of GDP) has grown from 7.6% as of 31 December 2006 to 16.5% as of 31 December 2017, all according to the BRSA and Turkstat. The Bank's management believes that the banking sector's support to SMEs is essential both for developing SMEs and supporting their contribution to the national economy, as well as sustaining the growth of the banking sector, which faces challenges vis-à-vis competition and legal regulations. Therefore, the Bank's management intends for the Group to continue its focus on SMEs with high growth potential and has offered SMEs training and consulting regarding foreign trade.

Since 2005, SME banking has been the Group's second largest segment by the total loan amount. The Group was one of the first banks in Turkey to create an executive vice president position for SME banking and since 2008 has been developing its own SME credit scorecard. As of 31 December 2017, the Group served over 387,700 active customers through its 1,452 relationship managers in over 580 branches. Furthermore, in recent years, the Group has also significantly increased its ability to offer products and services to its SME customers. In 2017, the Group reviewed a daily average of 1,300 SME loan files. The Group has also created innovative service offerings for its SME customers, such as SME Cloud (described in "SME Banking Department—Products and Services") and internet based banking services.

The Group's total SME loans have grown at a CAGR of 20.9% from 31 December 2015 to 31 December 2017. On a BRSA Bank-only basis, the Group's share of SME loans as a percentage of business loans has decreased from 57.1% as of 31 December 2015 to 51.3% as of 31 December 2017, compared to a decrease in the overall banking sector in Turkey from 38.3% as of 31 December 2015 to 34.5% as of 31 December 2017 according to the BRSA. The Bank experienced high SME loan growth, growing the volume of its SME loans from TL 20 billion as of 31 December 2015 to TL 28 billion as of 31 December 2017 with a market share of 5.4% as of 31 December 2017 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). Accordingly, the Group's SME loan book has grown significantly without experiencing a disproportionate decrease in the overall asset quality of its SME customers while the SME banking coverage ratio, which is the percentage of SME NPLs that can be covered with the Group's SME provisions, decreased from 74.7% as of 31 December 2015 to 71.0% as of 31 December 2017. The Group's NPL volumes have increased since 31 December 2015, from TL 806.0 million to TL 1.6 billion as of 31 December 2017, and its NPL ratio has increased from 4.4% to 5.9%

during the same period. The increases in the Group's NPL volumes and NPL ratio during such period primarily resulted from the slowdown in certain sectors in Turkey (such as tourism, construction and energy) due to the political and economic environment, which deterioration might continue to negatively impact the NPL ratio of the banking sector in general and the Bank in particular.

As of 31 December 2017, the Group's SME banking operations had loans and receivables of TL 25.4 billion, which represented 31.0% of the Group's total loans and receivables. As of such date: (a) the Group's loans and receivables from customers of small enterprises (with annual turnover of less than TL 4.0 million) was TL 12.0 billion, (b) total time deposits and demand deposits from the Small Enterprises sub-segment were TL 1.5 billion and TL 1.4 billion, respectively, (c) the Group's loans and receivables from the medium enterprises sub-segment was TL 13.4 billion and (d) the total amount of time deposits and demand deposits from the medium enterprises sub-segment was TL 2.2 billion and TL 1.6 billion, respectively.

Products and Services

The Group has embraced a concept of solution-oriented services tailored to the Group's SME customers, with its wide product array ranging from foreign trade services to loans, deposits and cash flow products. It serves its customers depending upon their loan repayment ability through a rich range of products, from short-term loans with instalments that can foster the enterprises' need for working capital to long-term loans in large values necessary for large-scale investments.

The Group's overall strategy for the SME market is to focus primarily on two groups of customers: high quality service customers and "market-norm" service customers. High quality service customers provide a high current value and a high potential value to the Group, while market-norm service customers provide either: (a) a low current value and high potential value or (b) a high current value and a low potential value to the Group. Under these categories, the current value of a customer represents the overall current profitability of such customer to the Group and the potential value represents the total amount of loans and POS turnover and credit card limits associated with such customer with all banks in Turkey. As of 31 December 2017, high quality service customers had, on average, credits of approximately TL 33,000 and deposits of approximately TL 8,000 with the Group, while market-norm service customers had, on average, credits of approximately TL 657,502 and deposits of approximately TL 665,883 with the Group.

Typically, high quality service customers are served by the Group's more experienced SME relationship managers, each of whom manages a limited number of customer accounts. In these customer relationships, there is a significant emphasis on fostering customer loyalty by ensuring that the relationship manager is offering assistance and services to the customer on a frequent basis.

Market-norm customers are also served by the Group's SME relationship managers, but the marketing focus of the relationship manager varies based upon the current and potential value of the customer. For customers with a high current value but a low potential value, the relationship manager focuses on providing services in an efficient manner so as to maintain the Group's currently strong relationship with such customer. For customers with a low current value but a high potential value, the focus is on providing high quality service and competitive pricing so as to increase the ability of the Group to obtain more of the customer's business that is currently with other banks in Turkey.

As part of its overall SME strategy, the Group established SME Cloud, which is a telephone service with qualified SME customer service representatives. The Group believes that SME Cloud provides a cost efficient way for the Group to provide and cross-sell a wide range of products and services to smaller SME customers. As of 31 December 2017, SME Cloud was serving approximately 90,000 customers per month. The Group was also the first bank in Turkey to provide SME loans over the telephone, which is done through SME Cloud. Over time, the Bank's management plans to increase the efficiencies of SME Cloud in order to provide products and services to customers with either a high current value or high potential value to the Group. The expansion of SME Cloud might include having dedicated SME Cloud relationship managers in the Group's branches to build long-term relationships with such customers. In addition to the SME Cloud, other innovative products and services for SMEs include:

(a) the "SME Money-in-the-Pocket" service, which enables small business owners to apply for a loan of up to TL 50,000 by sending a text message from a mobile phone and to learn the outcome of the application process on the same day,

(b) the "KOBİ Plus" service, which offers an extension of maturity on the amount of the customer's loans, while the monthly payments remain unchanged,

(c) the "Dynamic Loan" service, which allows customers to set their own limits with collateralised checks, cash or POS receivables in less than an hour,

(d) the "SME Cash Account" service, which allows customers to withdraw cash from all of the Bank's branches and the Bank's or Single Point ATMs. and enables payment of bills, checks, taxes, social security, loan and credit card balances, even in the absence of sufficient funds in the customer's account; such service includes a maximum limit of TL 5,000 for withdrawals from Single Point ATMs,

(e) the "Salary Loan" service, which makes salary payments of SMEs even if they do not have sufficient funds in their accounts; the maximum amounts of salary payments are determined by the Group's allocations department and generally does not exceed the amount of the customer's salary, and

(f) the "POS Opportunity Package," which offers desktop and mobile POS solutions backed with supporting banking operations, cash flow and commercial services and, with this package, member SMEs enjoy certain fee exemptions and attractive commission rates.

The Bank's management believes that it was one of the first banks in the Turkish banking market to introduce risk- and value-based pricing in the SME market. The key principles of risk- and value-based pricing include: (a) using analytical applications and behavioural scoring models to assess a customer's probability of default on a loan, (b) differentiating the pricing of a loan based upon collateralization, with lower prices for collateral with higher expected rates of recovery, and (c) differentiating the pricing of SME products and services based upon the current profitability of the customer and that customer's level of business with the Group.

Agricultural Banking

The Agricultural Banking sub-segment offered its services through 141 branches and 197 customer representatives as of 31 December 2017. Agricultural Banking diversifies its services by customising its products to the related agricultural segment and to the specific region where activity is being carried out. As of 31 December 2017, Agricultural Banking had loans and receivables of TL 3.3 billion, representing growth of 51.0% against the previous year and 11.0% of the Group's SME loan portfolio.

In order to support the modernization of the agricultural sector and to better take advantage of the economies of scale in agribusiness, the Group offers favourable payment terms and up to ten years maturity terms on its investment loans. The Group channels funds from institutions such as IPARD (which is a pre-accession programme of the EU) and the European Fund for Southeast Europe (EFSE) for rural development projects, while offering affordable working capital, agricultural mechanization and organic farming loans provided by PROPARCO, a subsidiary of the Agence Française de Développement (AFD) (*French Development Agency*).

Agricultural Banking supports certified agricultural production, which ensures and increases product quality for customers of the industry. In addition, organic farming activities are supported by favourable credit rates and repayment options. In an effort to establish long-term relationships with customers, in 2013 the Group launched the "Farmer's Cash" service, which was created to meet the short-term funding requirements of customers by helping them pay their bills and social security payments with flexible repayment options.

Agribusiness is rapidly evolving by modernising and restructuring itself in line with macroeconomic trends in Turkey. In line with these developments, the Bank's Agricultural Banking department intends to continue to improve its business models and expand its organisation parallel to the needs of the sector.

Corporate and Commercial Banking

Overview

Products and services provided by the Bank's Corporate and Commercial Banking Department include trade finance, corporate and commercial lending, project finance, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. The primary sources of income of the Bank's Corporate and Commercial Banking Department consist of interest income attributable to corporate and commercial loans, as well as commission income from letters of credit and guarantees. The Group's corporate and commercial banking segment had loans and receivables of TL 30.1 billion as of 31 December 2017, which represented 36.7% of the Group's total loans and receivables. The corporate and commercial segment also provided the Group with TL 2.5 billion in demand deposits as of 31 December 2017, compared to TL 1.7 billion as of 31 December 2016 and TL 1.7 billion as of 31 December 2015.

Since 2006, the corporate and commercial loans market in Turkey has grown at a CAGR of 25.3%, increasing from TL 90.3 billion in 2006 to TL 1.1 trillion in 2017, with total loan-to-GDP penetration increasing from 11.3% as of 31 December 2006 to 34.4% as of 31 December 2017, all according to the BRSA and Turkstat. The Bank's management believes that favourable government policies with respect to export-oriented businesses and infrastructure projects offer strong growth potential for the corporate and commercial banking sector, and that corporate and commercial banking has a relatively low NPL risk when compared to other segments.

The Group's corporate and commercial segment primarily targets medium-sized companies and served over 12,100 customers through a network of approximately 183 relationship managers in 46 branches as of 31 December 2017. As of the same date, credit limits were extended to approximately 11,138 customers and credit exposure was extended to approximately 4,914 customers. The corporate and commercial banking segment also generates business from larger businesses through low-yield loans and large infrastructure projects, as well as from certain investment loan and project finance transactions based upon profitability; *however*, the Group's primary focus is the middle market, consisting of companies above TL 40.0 million in annual turnover and a strong degree of corporate governance.

The Group's corporate and commercial banking segment is divided into corporate banking and commercial banking sub-segments as described below.

Corporate Banking

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

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

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

As of 31 December 2017, the corporate banking department had a total credit and non-credit customer base of over 1,449 companies, of which 923 had credit limits.

Commercial Banking

Commercial banking serves customers that have an annual turnover between TL 40.0 million and TL 300.0 million. The number of active customers in this segment exceeded 10,500 as of 31 December 2017. The goal of commercial banking is to achieve sustainable and profitable growth by understanding customer needs and providing tailor-made solutions.

As of 31 December 2017, the Group's commercial banking department served its customers through 4 regional offices, 42 branches and 155 portfolio managers. The branches are full service branches in which retail and commercial customers are served together.

As of 31 December 2017, the number of CardFinans commercial credit cards in issue was 524,554, representing 13.9% of the total Turkish commercial credit card market according to statistics published by BKM, and the number of POS terminals of CardFinans was 244,534, representing a 7.2% market share according to statistics published by BKM.

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

Corporate and Commercial Banking Products and Services

Loans and Receivables and Non-cash Loans. The Bank offers loan facilities predominantly in Turkish Lira, U.S. dollars and euro. Turkish Lira loans are generally short-term in nature, usually with maturities ranging from overnight to 365 days, and are principally for working capital financing; *however*, the Bank also extends medium-term loans with maturities between 365 and 730 days mainly to finance working capital requirements. The Bank has also introduced "Commercial Credits in the Form of Instalments," which are in essence Turkish Lira- or foreign currency-indexed instalment loans. Moreover, the Bank provides foreign currency principally for financing exports from Turkey. The Bank also extends longer term facilities to corporate customers in Turkey for industrial and manufacturing investment purposes in different sectors and project financing. In relation to both its domestic and foreign operations, the Bank provides non-cash facilities to companies in various industries through letters of guarantee, bid bonds and foreign trade non-cash products. By using conventional banking products as well as cash management products and by applying competitive pricing, the Bank aims to increase its market share in cash and non-cash loans.

The Group's cash loans to corporate and commercial customers have grown at a CAGR of 30.9% from TL 18.0 billion as of 31 December 2015 to TL 30.0 billion as of 31 December 2017. The Group's non-cash loans to corporate and commercial customers have grown at a CAGR of 39.6% from TL 9.0 billion as of 31 December 2015 to TL 17.0 billion as of 31 December 2017. As a major foreign currency-generating industry, the construction and contracting sector has been a focus of the Corporate and Commercial Banking Department since the Group's establishment. As of 31 December 2017, loans to the construction and contracting industry represented 14.6% of the Group's performing corporate and commercial loan portfolio, loans to the financial industry represented 2.4%, loans to the textile and fabrics industry represented 11.3% and loans to the food, alcohol and tobacco industry represented 9.4%.

Project and Structured Finance

The Group's project and structured finance business has taken an active role mainly as lead arranger in financing many important projects, including privatizations, public-private partnerships, acquisitions and infrastructure projects, which have contributed to the growth of the Turkish economy. The project and structured finance division prepares loan proposals and project evaluation reports, including cash flow projections, and manages the Credit Committee approval process. Once loans are approved, the project and structured finance division manages legal documentation and disbursement phases as well as the bank-to-bank relationships. Throughout the maturity of all loans under its responsibility, the project and structured finance division performs the initial evaluation of all waiver and amendment requests, before passing them along to the Credit Committee should any formal approval be required.

From 2000 to 2017, the Group committed a total of TL 12.6 billion to 36 primary and secondary cash and non-cash project finance syndications, of which TL 10.8 billion was utilised. As of 31 December 2017, a total value of TL 10.8 billion of the Group's TL 12.6 billion in commitments was utilised. The Group focuses on medium-sized project finance transactions, using the "economic value added" concept to measure the profitability of each deal, and participates in larger-sized landmark projects only if such projects generate a positive economic value added return.

The Group's project and structured finance clients are concentrated in the infrastructure, energy and commercial real estate sectors.

Cash Management and Trade Finance

In addition to providing credit facilities, the Group provides cash management services to its corporate, commercial and retail customers. Cash management is an important part of the Group's overall business and a key element of its strategy to increase demand deposits and service-related revenues. Cash management services include direct debiting for payment of invoices, supplier finance systems, utility bills, social security, tax payments, cash-in-transit services and providing foreign exchange transfers and remittance services as well as cash management solutions tailored for individual customers. The Group's trade financing activities consist of pre-export financing, import financing, issuing, confirming and discounting export and import letters of credit and letters of guarantee, and availing and discounting export and import drafts and promissory notes.

The overall mission of the Cash Management and Trade Finance group is to: (a) provide cost efficient and innovative cash flow and payment solutions that can be customised according to client size and (b) create partnerships with large corporations utilising the Group's wide branch network and technological capability. The Cash Management and Trade Finance division also has a cooperation agreement with Citibank to focus on the sophisticated cash flow management needs of large corporate customers in Turkey.

In line with this strategy, as of 31 December 2017, the Group provided direct debit services to 25,500 companies and, since 31 December 2013, expanded the number of customers with the Bank's checks by 146,500 (resulting in a market share of 6.4%) and the number of customers with other banks' checks by 18,590 (resulting in a market share of 4.5%) (*source*: Interbank Check Clearing House). As of 31 December 2017, the Bank provided automatic payment by standing order services to 151,700 companies and more than one million individual customers. In addition, the Bank is one of the banks in Turkey authorised to collect: (a) social security contributions on behalf of the government from domestic corporate entities and businesses and/or (b) taxes on behalf of the government from corporate customers.

The Group's trade finance activities are funded through correspondent bank facilities matched in terms of currency and maturity and through general term loan facilities. As of 31 December 2017, the Bank had an international correspondent banking network of more than 1,507 banks and a trade finance volume of approximately US$23.0 billion (resulting in a market share of 5.7%). The Bank also participates in various export credit programmes provided by overseas export credit agencies.

The trade finance sales team consisted of 19 people, 13 located in different regions and six located in the Group's headquarters, as of 31 December 2017. The Group's trade finance business is also active in utilising the Turkish Eximbank cash and non-cash loans, as well as the Central Bank's rediscount programme, all of which are to finance exporters.

E-Invoice

"E-Invoice" is a payment and collection system, established by "eFinans" to provide e-invoicing services in line with the requirements of Turkish regulations. "eFinans," a subsidiary of the Bank, provides online solutions for banking facilities by electronic invoice filing, an electronic ledger application and an electronic trade portal. Electronic invoice filing allows for much faster processing time when compared to traditional invoicing methods, measured from the time of the initial invoicing to registration of the invoice, and also serves as data for credit ratings and analysis. The Group was the first banking group to have a subsidiary (*i.e.*, eFinans) in Turkey offering a dedicated electronic invoice service and, as of the date of this Base Prospectus, the Bank remained the only Turkish bank having a subsidiary providing electronic invoice, ledger, archive invoice and registered e-mail (REM) services via a software programme owned and fully controlled by a banking group. The total transactions processed by eFinans exceeded 180 million as of 31 December 2017, the total product number has reached 11,000 and the number of E-Invoices processed by eFinans grew from 331 as of 31 December 2013 to 5,000 as of 31 December 2017 (with eFinans' objective being to have processed 1.2 million transactions by 2023).

The Group offers E-invoice-guaranteed cash loans, under which corporate customers are permitted to borrow funds by assigning their long-term E-invoices issued through the eFinans system as a guaranty. When a corporate customer applies for an E-invoice-guaranteed cash loan, the Bank commences a standard credit assessment process, through which a limit is

allocated based upon such customer's creditability. The maximum maturity of the loan must not be greater than the maximum maturity of the E-invoices assigned under the guaranty. Payments from customers under e-finance-guaranteed cash loans are made through the Bank's internal banking system, thus simplifying the process for making loan payments.

Bancassurance. In 2011, the Bank established the SME Middle Size Enterprise Insurance Management unit under the Commercial Marketing Group. The unit serves the insurance needs of Corporate, Commercial and SME Banking customers. As of the date of this Base Prospectus, this unit works with nine insurance companies operating in Turkey, using the branch network of the Bank to provide tailor-made solutions for the needs of customers. Furthermore, the SME Middle Size Enterprise Insurance Management unit seeks to mediate the Bank's risk management by better controlling debt exposure by insuring loan collaterals.

Treasury Department

The Bank's management believes that the Treasury Department is one of the largest treasury operations in Turkey, employing over 40 professionals as of 31 December 2017. The primary mission of the Treasury Department is to manage the Bank's liquidity, foreign exchange and interest rate risks. The Treasury Department concentrates in key markets, namely money and currency markets, fixed income and derivative markets in Turkey and other countries. Liquidity, exchange rate and interest rate risks are managed according to the decisions taken by the Bank's Assets and Liabilities Committee (the "*ALCO*"). Services provided by the Treasury Department include supplying prices in all instruments to local branches of the Bank or selected customers of the Group, providing consulting services to international customers investing in domestic markets and providing risk management services to selected customers in Turkey.

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

Sales Group: The Sales Group is responsible for the pricing of all transactions through the Bank's branches. In addition to conventional products, the sales desk offers customers and the Bank's branch network a wide range of derivatives and capital-protected savings products.

Foreign Exchange, Derivatives and Fixed Income Trading Group: This group consists of three trading desks: Foreign Exchange, Derivatives and Fixed Income. The Foreign Exchange Desk manages the Group's foreign exchange exposure and engages in proprietary foreign exchange trading. The traders closely monitor domestic and international markets in order to benefit from currency movements and act as a market maker in Turkish Lira pairs to both customers and other banks. The Derivatives Desk has the mandate of trading Foreign Exchange and Equity Index derivatives. This desk manages the Group's volatility book and provides pricing of foreign exchange options, forwards and Equity Index derivatives to customers and other banks. The Fixed Income Desk is responsible for execution of all fixed income and interest rate derivatives transactions. Since the Bank is one of the primary dealers in the Turkish local currency government bond market, the Fixed Income desk is quite active in the local bond market. All trading desks have predetermined risk exposure limits, which are closely monitored by the Risk Management department.

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

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

Branches

As of 31 December 2017, the Bank maintained a branch network of 580 branches, consisting of 559 full-service branches, 13 retail-only branches, four corporate-only branches and four commercial-only branch located in 42 commercial centres in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya. The Bank also has a branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain. The Bank has dedicated certain branches, which are located primarily in upper-middle-income residential areas, to retail customers.

The continuous expansion of the Bank's branch network until 2013, in particular the number of retail branches, allowed the Group to organically grow its customer base. The Bank's management believes that such expansion strategy resulted in a branch network that is both productive and efficient. The following table sets forth information relating to the Bank's branch network and customer numbers for the periods indicated.

	As of 31 December		
	2015	**2016**	**2017**
Total number of branches	642	630	580
Full service branches	627	605	559
Number of active retail customers	4,926,128	5,000,784	4,937,033

From 2014 to 2017, the number of the Group's branches was reduced by 78 branches as a result of routine and on-going analyses to optimise branch locations. The Group plans to broadly maintain the size of its existing branch network.

Enpara.com

In October 2012, the Group launched Enpara.com, which the Bank's management believes has become one of the most successful online-only banking platforms in Turkey. Within the Group, "Enpara.com" is managed as a separate banking unit with its own brand and business model. Enpara.com's customers are offered attractive interest rates on deposit products and offered zero-commissions for many types of banking transactions, such as bill payments, money transfers and foreign exchange.

Since its establishment, "Enpara.com" has grown its registered customer base from 18,000 in October 2012 to over 884,000 customers as of 31 December 2017, approximately 76.0% of whom were not pre-existing customers of the Group. Enpara.com's deposit base has also expanded significantly, growing at a CAGR of 17.1% from TL 4.9 billion as of 31 December 2015 to TL 6.7 billion as of 31 December 2017. Enpara.com's deposit base equalled the Turkish Lira deposits held by approximately 66 branches of the Group, based upon the average of the total deposits held by the Bank's retail branches (comprising 16.2% of the Group's retail deposit base), as of 31 December 2017. Most of Enpara.com's deposit growth is in "low ticket size" deposits between TL 50,000 and TL 500,000, which historically was much less cost-effective to acquire through a traditional branch network. In August 2014, Enpara.com launched Turkey's first online-only offering of consumer loans, which allows customers to obtain loans from the Bank without the need of visiting a branch or physically executing any documentation. As of 31 December 2017, approximately 20% of the Group's new consumer loan production volume was generated from Enpara.com, which equalled the new consumer loan production volume of approximately 148 branches, based upon the average consumer loans granted by the Bank's branches.

Enpara.com's customers are predominantly young professionals, which is a customer profile that has been difficult to attract through the traditional branch network in Turkey. As of 31 December 2017, approximately 90.0% of Enpara.com's customers were under the age of 45 and approximately 74.0% were self-employed or work in the private sector or perform civil service. Enpara.com's customers are targeted through television and digital social media advertising campaigns and they are able to apply for an account online by using a simple form application in which minimal information is required. Applicants receive a visit within one or two business days from a specialist relationship manager, who completes the know-your-customer procedures and is authorised to provide instant approval. Enpara.com accounts are fully managed online or via mobile devices.

After serving retail customers for four years, Enpara.com launched Enpara.com Şirketim in October 2016 to serve small businesses with a similar model. Enpara.com Şirketim attracted 3,000 customers in its first three months.

Alternative Delivery Channels

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

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

	As of and for the year ended 31 December		
	2015	**2016**	**2017**
ATMs			
Number of ATMs	2,956	2,874	2,817
Number of ATM transactions per period	161,808,526	153,520,089	147,484,544
Market share (no. of ATM machines)	6.1%	5.9%	5.7%
Internet & Mobile Banking			
Number of customers (total users)	1,546,970	1,787,374	2,166,281
Number of transactions per month	14,993,917	17,806,819	26,891,568

The Bank's Internet Branch was completely upgraded in 2013 to meet ever-changing customer needs and expectations on an easier-to-use and faster platform. With an interface that recognises the user, new functions to fulfil evolving customer needs, simplified menus and a technological infrastructure that allows personalization, the revamped internet site provides customers with ease of use through a timesaving "one click transaction" feature and an upcoming transactions reminder. Additionally, in 2014 the Corporate Internet Banking site was renewed to have an easier authorization and password process. Such renewal also enabled customers to view their accounts in one single screen and provided an easier transition between personal and corporate accounts.

The Group's information technology team renewed the Mobile Banking application for Android and iOS platforms in 2013. In 2014, the Blackberry and Windows platforms were enabled for customers, and in addition, "cep.finansbank.com.tr" was launched for customers using other phones. In the new versions of Mobile Banking, new functions were enabled such as: Agenda, One Click Transactions and payment of another person's credit card bill. As a result, Mobile Banking usage increased in 2015, 2016 and 2017, which has correspondingly resulted in a reduction in the number of monthly internet transactions, as customers shifted towards using Mobile Banking products.

In 2017, the Group continued to focus on direct banking to improve customer satisfaction and reduce the operating costs and workload at its branches. The Group established the Marketing and Customer Acquisition Management Unit within the Direct Banking Department during 2014. This unit is responsible for promoting (and directing customers to) ATM, internet banking, mobile banking and credit card internet branch channels.

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

In 2017, the average number of monthly monetary transactions made through internet and mobile banking channels reached 4.8 million with an increase of 34.0% compared to the average number of monthly transactions in 2016. Total average monthly volume increased by 36.0% during 2017 and reached TL 17.4 billion. The average monthly transaction volume made through the Group's ATM network increased by 10.0% during 2017 and reached TL 6.6 billion for 2017, while the size of the Group's ATM network decreased by 2.0% in December 2017.

The Group's call centre, whose telesales and inbound customer representatives address customer requests for banking and investment transactions, credit cards and other banking products, provides service on a continuous basis 24 hours a day, seven days a week. In 2017, the call centre responded to approximately 33.8 million calls, and 52.0% of all incoming calls were managed in the interactive voice response (IVR) system. Nearly 14.5 million interactions were

completed in 2017. During 2017, the call centre and telesales completed approximately 43,026 confirmed CardFinans, approximately 61,328 CardFinans Cash and approximately 203,128 automatic payment orders.

Subsidiaries and other Affiliated Companies

The following table gives details as of 31 December 2017 for each company in which the Bank had a material equity interest.

Entity	Business	Commenced operations	Percentage held
Subsidiaries			
Finans Leasing	Leasing	1990	99.40%
Finans Factoring	Factoring	2009	100.00%
Finans Invest	Brokerage	1997	100.00%
Finans Portfolio Asset Management	Asset management	2000	100.00%
Hemenal Finansman	Financing	2015	100.00%
Ibtech	Information technology	2005	99.91%
eFinans	E-Invoicing	2013	51.00%
Joint Ventures			
Bantas	Cash delivery	2009	33.33%
Cigna Finans Pension	Pension	2007	49.00%

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

Finans Leasing

Finans Leasing was established in 1990 and is listed on Borsa İstanbul. Finans Leasing's strategy has been to offer financing models in line with the customers' needs. As of 31 December 2017, Finans Leasing had a market share of 12.2% with a total business volume of US$757.4 million in the leasing sector in Turkey, according to the Association of Leasing, Factoring and Financing Companies (*Finansal Kiralama, Faktoring ve Finansman Şirketleri Derneği*) (the "*FIDER*"). Finans Leasing has a lease portfolio that is diversified across several industries, with its finance lease receivables distributed as of 31 December 2017 as follows: building and construction 19.2%, textile 15.6%, manufacturing 11.6%, energy and power 9.9%, chemical 6.4%, health and social activities 5.5%, transportation and storage 4.3%, wood and wood products 4.2%, mining and quarrying 3.7%, food 2.8%, automotive 2.1%, printing 2.1%. As of 31 December 2017, the total assets of Finans Leasing were TL 4.7 billion and its net profit for 2017 was TL 94.0 million.

On 13 August 2010, the Bank concluded its tender offer for the disposal of Finans Leasing. As a result of the tender offer, NBG acquired 27.3% of the share capital of Finans Leasing for TL 81.7 million. The Bank entered into a share purchase agreement with NBG to acquire shares representing 29.87% of the paid capital of Finans Leasing for TL 128.1 million. The share transfer was finalised on 8 February 2016.The Group held 99.4% of the shares of Finans Leasing as of the date of this Base Prospectus.

Finans Factoring

Finans Factoring, which started its operations in October 2009, has its headquarters in İstanbul and representative offices in Ankara, Gebze, İzmir, Kıraç, Antalya, Adana, İkitelli, DES, Bursa, Kozyatağı, Gaziantep, Denizli, Pendik, Karaköy, Osmanbey, Bayrampaşa, Çorlu, Manisa, Levent Sanayi, İvedik, Konya, Eskişehir and Samsun. As of 31 December 2017, the total assets of Finans Factoring amounted to TL 1.4 billion and its paid-in capital amounted to TL 50.0 million. The company's net profit was TL 16.0 million for 2017, during which year its total factoring receivables amounted to TL 1.4 billion. In terms of total assets, Finans Faktoring had a market share of 3.3% as of 31 December 2017 according to the FİDER. The distribution of factoring receivables for the most significant industry groups as of 31 December 2017 was as follows: building and construction 21.0%, factoring companies 10.0%, textiles 8.0%, trade 7.8% and health and social activities 6.0%.

Finans Invest

Finans Invest was established in December 1996 and began operations in January 1997. As an intermediary institution, Finans Invest provides a wide range of financial services to both individual and institutional investors, including investment counselling and brokerage services, portfolio management, intermediation of derivatives, leveraged transactions (such as foreign exchange, contracts for difference (CFDs)), short-selling and credit sale of capital markets instruments, fund investment services and corporate finance and international investment services. Under the Capital Markets Law, the activities of intermediary institutions are subject to licences issued by the CMB for a specific activity under the name of the intermediary institution. Finans Invest is duly licensed for all capital markets activities. Finans Invest ranked eight by volume of stocks traded on the Borsa İstanbul with a 4.5% market share, according to a breakdown of stock market transactions by Borsa İstanbul members, in 2017. As of 31 December 2017, the total assets of Finans Invest were TL 382.4 million and its net profit for 2017 was TL 25.7 million.

Finans Portfolio Asset Management

Finans Portfolio Asset Management, established in September 2000, managed eight exchange-traded funds, 12 mutual funds, nine pension funds and one hedge fund, in each case, as of 31 December 2017. Finans Portfolio Asset Management also manages discretionary portfolios for high net worth individuals and selected institutional customers. As of 31 December 2017, the total assets of Finans Portfolio Asset Management amounted to TL 13.2 million and its net loss for 2017 was TL 0.5 million.

Finans Portfolio Asset Management's market share in mutual funds was 0.8% as of 31 December 2017 according to CMB statistics and its assets under management were TL 1.5 billion.

Hemenal Finansman

On 15 July 2015, the Bank entered into an agreement with Banque PSA Finans SA to purchase all of the shares of Hemenal Finansman for an amount of TL 8.4 million. On 9 November 2015, the BRSA approved the share acquisition and such share transfer was completed on 14 December 2015. As of 31 December 2017, Hemenal Finansman had TL 106.8 million of total assets.

Cigna Finans Pension

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

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

As of 31 December 2017, Cigna Finans Pension had established 18 pension mutual funds and two group pension funds and its net assets reached TL 119.9 million (TL 84.9 million as of 31 December 2015).

Ibtech

Ibtech was established in 2005 and is located in İstanbul. Ibtech's focus is to provide designs and enhancements for software such as Core Banking (Core Finans), credit cards and internet banking and to develop applications for the use of the Bank. As of 31 December 2017, the total assets of Ibtech amounted to TL 43.2 million.

Bantas

Bantas was established in 2009. As of the date of this Base Prospectus, Bantas was 33.33% owned by the Bank, with Denizbank A.Ş. and Türkiye Ekonomi Bankası A.Ş. each holding 33.33%, and is located in İstanbul. Bantas securely carries assets between branches and cash centres and gives ATM cash support. As of 31 December 2017, the total assets of Bantas amounted to TL 62.4 million.

eFinans

eFinans was established in 2013 to provide e-invoking services and, as of the date of this Base Prospectus, was 51.00% owned by the Bank. The total assets of eFinans amounted to TL 11.9 million as of 31 December 2017 and its net loss for 2017 was TL 1.6 million.

Intellectual Property

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

Insurance

The Bank has a world-wide bankers blanket bond insurance policy for the Bank's operations in Turkey and Bahrain. This insurance policy covers cash assets, assets (including cash) in transit, ATMs. and safe deposit boxes, as well as corrupt practices on the part of the Bank employees or use or abuse of the Bank's resources for their own benefit. Third-party fraud, particularly relating to internet banking, electronic funds transfer, securities trading and custody, is also covered. The Bank's automated systems are insured against damage caused by electronic viruses. New branch offices are insured automatically from their date of establishment. The Bank's management believes that the amount of insurance coverage that is presently maintained represents the appropriate level of coverage required to insure the business of the Group. For information on deposit insurance protection for the Bank's depositors, see "Turkish Regulatory Environment – The Savings Deposit Insurance Fund (SDIF)."

Competition

The Group competes with other banks, financial services firms and a wide range of insurance companies in providing banking, mutual fund, capital markets and advisory services and financial and insurance products. As of 31 December 2017, 47 banks (excluding the Central Bank) were operating in Turkey, 33 of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). The Group is not a significant operator in any of the international markets in which it has a presence or a branch (such as Bahrain). For more information regarding the Bank's competitors, see "The Turkish Banking Sector." See also "Risk Factors – Risks Related to the Group's Business – Competition in the Turkish Banking Sector."

Legal Proceedings

The Bank and its subsidiaries are defendants in certain claims and legal actions arising in the ordinary course of business. Other than the Competition Board investigation described below, the Group is not involved in any litigation, arbitration or other administrative proceedings that, if decided against the Bank or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on its business, results of operations or financial condition. There are no material proceedings pending in which any director of the Bank, any member of its senior management or any of the Bank's affiliates is either a party adverse to the Bank or any of its subsidiaries or has a material interest adverse to the Bank or any of its subsidiaries. As of 31 December 2017, the Group had made provisions for litigation of TL 44.8 million.

Competition Board Investigation

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

On 19 August 2010, the Competition Board experts prepared a report concluding that the banks' actions constituted a violation of the Competition Law. The report proposed that the Bank should be subject to an administrative fine corresponding to 0.3% and 0.8% of its annual gross income for the violation of the relevant articles of the Competition Law. On 8 March 2011, the Competition Board announced that, following the completion of its investigation, the Bank was issued an administrative fine corresponding to approximately 0.3% (*i.e.*, TL 7.9 million) of its annual gross income for 2010. From the eight major Turkish banks subject to the Competition Board's investigation, five were issued administrative fines corresponding to approximately 0.4% of their annual gross income, two (including the Bank) were issued administrative fines corresponding to approximately 0.3% of their annual income and one bank was not subject to any administrative fines. In accordance with the Competition Board's decision, the Bank paid a reduced penalty of TL 5.9 million as a result of the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision. The Bank appealed the fine to the Council of State on 20 October 2011, following its receipt of the official written decree from the Competition Board. The Bank's claim for annulment of the decision was dismissed by the Council of State. The Bank commenced an appeal of the court's decision at the Plenary Session of the Administrative Law Chamber on 12 February 2016. As of the date of this Base Prospectus, the Plenary Session of the Administrative Law Chamber has not yet made its final judgment on this case.

The Competition Board initiated a separate investigation against 12 banks operating in Turkey, including the Bank, in November 2011 to determine whether they had violated the Competition Law related to interest rates and fees in the deposit, credit and credit card services markets. The Competition Board announced its final decision with respect to such investigation on 8 March 2013, ruling that all of the defendants have violated Article 4 of the Competition Law and applying fines on each of them based upon their respective 2011 annual gross income. The fine levied against the Bank amounted to 1% of the Bank's annual turnover for 2011, equal to approximately TL 54.0 million. The Bank benefited from a 25% pre-payment discount by paying 75% of the fine (*i.e.*, TL 40.5 million) within one month after the receipt of the reasoned decision of the Competition Board. The Bank has commenced action for annulment of the Competition Board's decision at the Ankara Administrative Court. The action for annulment of the decision was dismissed by the Ankara Administrative Court. Following receipt of the court's decision, the Bank appealed the court's decision at the Council of State on 7 July 2015. As of the date of this Base Prospectus, the Council of State has not yet made its final judgment on this case.

Under Articles 57 and 58 of the Competition Law, customers may be able to bring claims (including in a class action) against the Bank seeking treble damages. As of the date of this Base Prospectus, there have been over 540 legal proceedings initiated against the Bank in this respect based upon decisions of the Competition Board; *however*, in general, the courts hold their decision regarding such cases until the final decision of the Council of State is announced. As of the date of this Base Prospectus, the Group has determined that no provisions are required with respect to these legal proceedings.

Consumer Transactions Inspection

The Bank was charged with an administrative fine of TL 43.6 million as a result of an annual audit of consumer and mortgage loans that was carried out by the Ministry of Customs and Trade. After reviewing such loans that were disbursed between 2011 and 2014, the Ministry took the view that certain provisions of the Law on Consumer Protection (Law No. 4077) (abrogated as of the date of this Base Prospectus) had not been complied with. As the payment of such amount is without prejudice to making an appeal, the Bank paid three quarters of this fine (*i.e.*, TL 32.7 million) on 28 August 2015 in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision. In September 2015, the Bank filed a lawsuit seeking cancellation of the fine, with respect to which the court has not yet made its final judgment.

Resource Support Utilisation Fund ("RSUF") Tax Assessment

A tax assessment from the Tax Inspection Office of the Ministry of Finance, relating to the Resource Support Utilisation Fund and the Bank's 2011 tax year, has been made on certain of the Bank's fees earned on retail loans for amounts exceeding a certain percentage of the fees collected for consumer loans which have been categorised as interest (and therefore subject to RSUF taxation) in the assessment. The total amount of the assessment (including the principal and interest) is TL 30.8 million. The Bank filed a lawsuit disputing the assessment and the court decided in favour of the Bank. The relevant Tax Inspection Office appealed the court's decision and the lawsuit has not been finalised as of the date of this Base Prospectus. Provisions for the full amount of the assessment have been taken in the Bank's financial statements.

Information Technology

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

The Group's total information technology capital expenditure was US$41.0 million in 2015, US$33.5 million in 2016 and US$36.3 million in 2017, which represented 45.6%, 55.6% and 39.8%, respectively, of the Group's total capital expenditure for the applicable year.

The Group's information technology system is centrally managed and controlled by its Enterprise Monitoring and Management Systems (described below). The system is then divided into central operations, which are monitored on an on-going basis, and branch operations, which comprise digitised teller and back office processes. The Group's information technology system is supported by disaster recovery centres, including back-up facilities, which serve its banking operations and are continuously improved in terms of capacity and cost efficiency. System availability averages 99.93% without planned downtime, which is scheduled six times a year and reduces system availability to 99.86%.

In line with the Group's strategy to increase cost efficiency, the Group's centralised operations personnel have decreased by 22.4% in 2017 compared to 2016. The Group seeks further efficiency in its information technology systems through a focus on appropriate allocation of data resources to critical systems. As of 31 December 2017, the Group allocated approximately 60% of its servers to what it considers to be "critical" systems and the remainder to operational and productivity systems. The Group also has a stated objective of decreasing allocation of data resources in its retail and other operations in order to increase allocation of data resources to its growing corporate and commercial banking systems.

Ibtech

In May 2005, the Group established Ibtech, an information technology specialist subsidiary. Ibtech is the only bank information technology firm accredited to be located in the Technology Innovation Zone situated at Kocaeli, where it operates with a special licence under a 45-year lease from the government. Ibtech's location in the Technology Innovation Zone enables it to exchange know-how with government institutions in an efficient manner. As of 31 December 2017, Ibtech had 589 full-time employees, with expertise in the banking industry and information technology. See also "-Subsidiaries and other Affiliated Companies."

The Group's IT Programmes

The Enterprise Monitoring and Management System is the consolidated monitoring infrastructure that integrates the Group's various programmes. The Group uses CoreFinans, a core-banking application that is an all-inclusive in-house-developed application. CoreFinans has been continuously enhanced with new functionality since it was launched in 2002. With its service-oriented architecture, CoreFinans provides flexibility, scalability, ease of use, ease of integration and measurability, which are vital ingredients for the Group's operations. In addition to the core-banking application, the Group's information technology team develops and maintains alternative delivery channel applications, encapsulated with customer

data management and infrastructure layers. In 2013, CoreFinans was integrated with the Group's telecommunications infrastructure, enabling branches to hold promotion campaigns and perform sales over the phone.

Over the past few years, the Group has carried out several projects focused on its banking delivery channels and has a number of ongoing projects.

Employees

The Bank places a high priority on recruiting and retaining the highest quality staff in alignment with its long-term business strategies and regards its staff as its most significant resource. For attracting suitable candidates, the Bank's efforts have centred on HR activities for strengthening the Bank's brand image. The Bank also aims to provide a high level of personal and professional training that is both role-oriented and designed to develop certain skills and competencies and promote a coherent, unified corporate culture. The Bank aims to compensate its employees competitively and operates diversified performance-driven premium and year-end success bonus models as well as several practices for reinforcement of engagement and fulfilment such as appreciation and recognition programmes, internal communication activities and retention plans. With the goal of establishing long-term and efficient relationships with employees, the Bank conducts and analyses employee engagement and satisfaction inventories and turnover studies. It also provides vertical and horizontal career opportunities.

As of 31 December 2017, the Bank employed 12,007 persons, of whom 53.0% were based in one of the Bank's branches. Among its employees, more than 74.0% were engaged in sales, with 2,585 employees forming the direct sales force, as of 31 December 2017. Additionally, the Bank's subsidiaries (including Cigna Finans Pension) employed 1,848 employees as of such date.

The following table sets forth the number of employees of the Bank by operation as of each of the indicated dates:

	As of 31 December		
By operation	**2015**	**2016**	**2017**
Head Office	2,929	2,915	2,746
Branches	7,292	6,850	6,346
Alternative sales channels	2,358	2,329	2,585
Regional offices	371	357	330
Total	**12,950**	**12,451**	**12,007**

As of 31 December 2017, more than 83.0% of the Bank's employees had associate degrees or above. As of the same date, the Bank's employees had an average of 8.0 years of experience in the banking sector, an average seniority at the Bank of 6.5 years and an average age of 33 years. The Bank's management believes that the Bank's relations with its employees are positive. The number of employees working at the Bank's branches decreased between 31 December 2015 and 31 December 2017 as a result of the Bank's strategy to have a more efficient branch network.

Property

The Bank's principal properties, including its head office, are located primarily in two areas of İstanbul, Levent (Kristal Kule) and Ümraniye. The Bank's other material properties are in three other Turkish cities: Erzurum, İzmir and Bursa. The market value of these material properties, based upon external appraisals in December 2017, was TL 1.6 billion. The Bank operates most of its branches based upon medium-term leases, with typical lease periods of five to 10 years. Some of the Bank's subsidiaries and other affiliated companies own their own properties while others lease the premises in which they operate.

On 11 March 2014, the Group purchased a commercial building for TL 931.0 million to be used as the Group's headquarters. On 14 October 2014, the Bank agreed to sell its Gayrettepe headquarters in İstanbul for a contractually agreed value that was higher than the then current book value and such sale was approved by the Bank's Board of Directors on 23 October 2014. On 30 October 2014, the Bank also began an open tender process for the sale of its Polat building in İstanbul, and the result of such tender process was approved by the Bank's Board of Directors on 13 November 2014. Title of

the Gayrettepe headquarters building was transferred in March 2015 and the title to the Polat building was transferred shortly thereafter.

Ratings

As of the date of this Base Prospectus, the Bank has been assigned the following ratings by Fitch and Moody's, which are both registered in the EU for purposes of the CRA Regulation.

	Rating Agency	
	Fitch	**Moody's**
Long-term foreign currency	BBB-	Ba2
Short-term foreign currency	F3	NP
Long-term local currency deposit	BBB−	Ba1
Short-term local currency deposit	F3	NP
Long-term national rating	AAA (tur)	—
Support	2	—
Viability/Baseline Credit Assessment	bb+	ba3
Outlook	Stable	Negative

The ratings set forth above are accurate only as of the date of this Base Prospectus and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

RISK MANAGEMENT

The Bank considers effective risk management to be crucial to its success. The Bank allocates substantial resources to upgrading its policies, methods and infrastructure to ensure compliance with best international practices and the guidelines of the Basel Committee on Banking Supervision (the "*Basel Committee*").

Risk Management Governance

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee (the "*BRC*"), the ALCO, the Corporate and Retail Credit Policy Committees (the "*CCPC*", "*CPRC*" and the "*RCPC*"), the Operational Risk Management Committee (the "*ORMC*") and the Risk Management Department are the most important bodies in the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank. The BRC, in its monthly meetings, defines risk policies and strategies, reviews the types of risks the Bank is exposed to, monitors the implementation of the risk management strategies and brings important risk issues to the attention of the Board. The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk. The CCPC and RCPC meet on an as-required basis and are responsible for monitoring and evaluating the Bank's applicable lending portfolio and determining principles and policies regarding the credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimise these risks. The Risk Management Department, working independently from the Bank's executive functions and reporting to the Board of Directors, is organised under four groups (market risk, credit risk, operational risk and model validation), each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation and assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Group aims to adopt best practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee, the BRSA and the CMB, as well as any decisions of the competent authorities supervising the Group's entities.

The Internal Audit Division (the "*IAD*"), which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

The Group's risk management structure is designed to achieve existence of clear lines of responsibility, the efficient segregation of duties and the prevention of conflicts of interest at all levels.

Board Risk Committee

The Group's risk management policies are approved by the BRC, the members of which are the Chairman of the Bank's Board of Directors and three other members of the Bank's Board of Directors who are adequately qualified and experienced in the field of risk management. According to its internal regulation, the BRC is responsible for all strategic risk management decisions including, for example, the approval and review of risk strategy, policies and capital adequacy and allocation as well as oversight of the ALCO, the CCPC, the RCPC and the ORC.

For a further description of the BRC, see "Management – Executive Committees of the Bank – Board Risk Committee."

Risk Management Department

The Group's Risk Management Department is responsible for monitoring and managing all potential risks for the Bank in a centralised and efficiently coordinated manner. The primary goal of the Risk Management Department is to provide the business lines with appropriate capital allocation (economic capital) for risks they are exposed to and incentivise risk-adjusted return on capital.

The Risk Management Department seeks to protect the Group against unforeseen losses and to maintain earnings stability through the independent identification and assessment of risks. It uses a framework for evaluating risks for risk management, seeking to produce transparent, objective and consistent risk management information as the basis for organising the Group's structure. Its role in maximising the Group's earnings potential involves measuring performance on a risk-adjusted basis and allocating capital accordingly. In addition, it is responsible for providing the BRC and the Executive Committee with accurate data and analysis required for measuring, monitoring and managing risks and for supporting the implementation of risk management decisions. Group risk management policies are approved by the BRC.

The Risk Management Department undertakes to do the following:

(a) analyse, measure, monitor, control, mitigate and report to management all significant on- and off-balance sheet risks undertaken at the Bank and the Group level,

(b) adopt risk management policies with regard to significant credit, market, operational and other risks undertaken by the Bank and the Group,

(c) evaluate the internal capital that is required in respect of all aforementioned risks and estimate all relevant capital ratios of the Bank and the Group,

(d) establish a framework for undertaking risk applicable to all levels of management and collective bodies of the Bank and the Group,

(e) establish early warning systems and perform stress tests on a regular basis, and

(f) guide decision-making processes at the Group level by providing the necessary risk management related evaluation.

Asset and Liability Management

The ALCO proposes asset and liability management procedures and policies to the Bank's Board of Directors that are compatible with prevailing laws. The ALCO is responsible for executing these policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets monthly. At these meetings, the ALCO reviews critical risk issues and determines the strategies for asset and liability management.

Internal Audit Division

The IAD has an independent and advisory role, the objective of which is to conduct assurance and consulting activities designed to add value and improve operations. Internal audit contributes to the achievement of corporate objectives by: (a) bringing a systematic, disciplined approach to the evaluation of the effectiveness of risk management, internal controls and corporate governance, (b) recommending appropriate measures to improve their efficiency and effectiveness and (c) monitoring the implementation of corrective actions.

The internal audit activity is structured so as to be independent of, and free from interference by, any element, unit or management level within the Bank. In order to ensure this independence, the Chief Audit Executive reports ultimately to the Bank's Board of Directors, with a functional and administrative reporting line through the Head of Internal Systems and the Audit Committee. This reporting line also applies for the approval of the internal audit charter, the risk-based internal audit plan, the internal audit budget and resource plan, the internal audit activity's performance relative to its plan and decisions regarding the appointment and removal of the Chief Audit Executive.

Management of Specific Risks

The Bank's risk management processes distinguish among the types of risks set out below. See also Section Four of the Group's BRSA Financial Statements as of and for the year ended 31 December 2017.

Credit Risk

Credit risk represents the risk arising from a counterparty not fulfilling its responsibilities stated in an agreement either partially or totally. The credit policy committees and departments are responsible for managing the Group's credit risk by controlling the overall lending process through approving the Bank's lending criteria and credit risk policies and delegating authorities depending upon the type of the product. These committees and departments help to establish effective and efficient internal policies, procedures and methodologies to define, quantify, measure, control and report credit risks.

The Group's Risk Management Department is responsible for building a regular cycle of rating models validation that includes monitoring of model performance and stability and, where necessary, model improvement. The table below provides an overview of the Group's credit risk management rating model:

Phase	**Retail Loans**	**Business Loans**
Origination	Scorecards Highly automated and model-driven application process	Incentivising hard collateralization Use of scorecards and credit decision framework as a decision support tool Customised underwriting processes with different authorisation levels based up on customer segment
Monitoring	Proactively monitored and managed portfolio monitored on a daily basis Behavioural scorecards generating early warning signals	Proactively monitored credit portfolio with early warning signals, analytical decision support tools and management dashboards
Early Collection	In-house and outsourced collection teams of full-time employees, supported by information technology systems and segmentation tools	Centralised and regional collection specialists for each customer segment
Legal Collection	Central legal enforcement team managing NPL collection with the support of external law firms	Centralised legal collection teams and agents

The Bank actively uses collateral management as an important risk mitigation mechanism, including a legal review confirming the enforceability of the collateral arrangements under the applicable law. The market value of collateral generally is appraised at least annually or more often whenever there is a reason to believe that a significant decrease in its market value has occurred.

As long as a customer has a credit line, the Bank continuously monitors the credit risk of the customer. Quality, timeliness and sufficiency of information flow are under the responsibility of the underwriting department. The financial standing and the business risk profile of a customer are continuously monitored and the corporate ratings are updated and the customer limits are reviewed at least annually. Early warning systems have been established in order to ensure that customers for which a significant deterioration in the credit quality or payment performance has been observed are transferred to the watch list and closely monitored. Similarly, restructured and rescheduled loans are carefully monitored in line with the Group's credit risk policy.

Credit Cards. The credit card portfolio is the largest component of the Bank's retail banking loans (TL 7.7 billion as of 31 December 2015, TL 7.8 billion as of 31 December 2016 and TL 8.7 billion as of 31 December 2017). Due to the weight of credit card loans in the Bank's balance sheet, the portfolio is subject to close monitoring and analysis on an on-going basis with what the Bank's management believes are robust techniques.

The Group has established a credit card scoring system supported by a number of models, which system is based upon a customer's application and behavioural score cards. Scoring systems and risk analytics are incorporated throughout the credit process, from the grant of credit through to collection. The Group's risk management unit is responsible for building a regular cycle of model validation that includes monitoring of model performance and stability and, if necessary, model improvement.

Credit cards that are in arrears or are considered to be a potential problem for the Bank are actively monitored and managed with the intent of avoiding loss, or mitigating it to the extent reasonably possible. The Bank has established processes whereby delinquent credit cards are managed in a timely fashion so that the collection performance of the credit

card loans portfolio is successful. The Bank has also implemented early warning systems with the goal of ensuring that customers subject to significant credit quality or payment performance deterioration are monitored with special care, and the Group relies on a network of in-house and outsourced early collection agents for collection efforts.

In 2014, the Group put in place stricter underwriting criteria and higher cut-off levels for its retail credit card business. The Group's management believes that this has resulted in the stabilisation of additional credit card NPLs, which amounted to TL 1.1 billion as of 31 December 2017 (compared to TL 1.1 billion as of 31 December 2016 and TL 1.4 billion as of 31 December 2015).

Mortgage Lending. The mortgage lending portfolio is the third largest component of the Bank's retail banking loans, with a total exposure of TL 5.0 billion, TL 5.1 billion and TL 5.6 billion as of 31 December 2015, 2016 and 2017, respectively. Accordingly, similar to credit card loans, the mortgage portfolio is also closely monitored and multi-dimensional risk analyses are performed on an on-going basis, including a property valuation conducted by an independent certified agent. The Group aims to have a loan-to-value ratio of 40.0% in its mortgage business in order to support high recovery rates. The Group's NPL volumes in its mortgage lending business have declined from TL 51.6 million as of 31 December 2015 to TL 44.3 million as of 31 December 2016 and TL 18.0 million as of 31 December 2017.

Consumer Loans. In the consumer loans business, the Group employs a dedicated early collection team comprised of in-house, outsourced and branch-based employees and agents.

Business Loans. The Group uses various scorecards in the origination stages of its business loans products, including behaviour scorecards, with customised underwriting processes employing different authorization levels depending upon the customer segment. Generally, the Group incentivises hard collateralization of its business loans, which means the collateral must be in the form of cash or real estate. Further, the Group proactively monitors its credit portfolio with respect to its business loans, using early warning signals, analytical decision support tools and management dashboards. In terms of collection, the Group employs centralised and regional collection specialists for each customer segment for purposes of early collection, as well as a centralised team of collection teams and agents for collection efforts.

Given that inadequate diversification might have a significant impact on the value of the Group's business loan portfolio, the Group has established maximum concentration limits for single names and industries. As a result, the Bank's top 20 corporate and commercial customers accounted for 34.8% of the Bank's total corporate and commercial performing loans and receivables and only 12.8% of the Bank's performing loan book as of 31 December 2017.

Counterparty Risk

The Group faces counterparty risk from the over-the-counter transactions and the repurchase agreements in which it is involved. Counterparty risk is the risk arising from an obligor's failure to meet its contractual obligations. For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The financial institution department is responsible for setting and monitoring the limits for the Bank's financial institution counterparties.

Counterparty limits for the Bank's financial institution counterparties are set based upon credit ratings that are published by internationally recognised ratings agencies (in particular, by Moody's and S&P). According to the Bank's policy, if rating agencies have different views on the creditworthiness of a counterparty, then only the lowest rating will be taken into consideration. In cases where a counterparty is not rated by internationally recognised ratings agencies, its rating is determined by the Bank's internal rating model.

The counterparty limits apply to all financial instruments that the Treasury department actively trades in the interbank market. The limits framework is revised according to the business needs of the Bank and prevailing conditions in international financial markets. A similar limit structure for the management of counterparty risk is enforced across all of the Group's subsidiaries.

The Group seeks to reduce counterparty risk by standardising relationships with counterparties through the use of documentation maintained by the International Swaps and Derivatives Association (ISDA), the International Capital Markets Association (ICMA) and the International Securities Lending Association (ISLA) that include all necessary closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit

support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

The Group avoids taking positions in derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty.

The Bank uses the "current exposure method" for the calculation of regulatory capital requirements arising from counterparty credit risk.

Interest Rate Risk

Interest rate risk is the risk related to the potential losses on the Group's portfolio due to adverse movements in interest rates. A principal source of interest rate risk exposure arises from the Group's bond portfolios and its interest rate exchange-traded and over-the-counter transactions, including the interest rate risk that derives from the positions it retains in Turkish government bonds. As a means of hedging, the Group enters into swap transactions in order to hedge the interest rate risk of its eurobond portfolio, which consists predominantly of Turkish government bonds denominated in foreign currency.

In order to offer loans to its customers, the Group also obtains liquidity in U.S. dollars, which are then converted into Turkish Lira through cross-currency interest rate swaps. These cross-currency interest rate swaps act as a hedge to the interest rate risk that derives from the Group's loan portfolio.

Interest Rate Risk in the Banking Book. Interest rate risk in the banking book is the current or prospective risk to earnings (net interest income) and capital due to adverse movements in interest rates affecting the banking book positions. Exposure to interest rate risk in the banking book arises from repricing mismatches between assets and liabilities. The Group's banking book consists mainly of loans and receivables, leasing and factoring receivables, cash and balances with central banks, amounts due from banks, customer deposits, amounts due to banks, marketable securities issued and funds borrowed that are measured at amortised cost. The Bank's management believes that it maintains adequate measurement, monitoring and control functions for interest rate risk in the banking book, including:

(a) measurement systems for interest rate risk that capture material sources of interest rate risk and assess the effect of interest rate changes in ways that are consistent with the scope of the Group's activities,

(b) measurement of vulnerability to loss under stressful market conditions,

(c) processes and information systems for measuring, monitoring, controlling and reporting interest rate risk exposures in the banking book, and

(d) a documented policy regarding the management of interest rate risk in the banking book.

Interest rate risk that would arise from changes in interest rates depending upon the Group's position is managed by the ALCO. Interest rate sensitivity of assets, liabilities and off-balance sheet items is analysed by top management in the ALCO meetings held monthly by taking market developments into consideration. The management of the Group follows the interest rates in the market on a daily basis and revises interest rates of the Group when necessary.

In addition to customer deposits, the Bank funds its long-term fixed interest rate Turkish Lira-denominated instalment loan portfolio with long-term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank swaps the foreign currency-denominated liquidity obtained from the international markets to Turkish Lira-denominated liquidity with long-term swap transactions (fixed Turkish Lira interest rate and floating foreign currency interest rate).

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the Bank's policies aim to ensure that this risk stays within pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/gap analyses, which rely upon calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins in order to calculate their impact on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis and the May 2004, June 2006 and 2008 scenarios are also simulated. As of 31 December 2017, the expected change in net economic value under the Basel scenario, which is defined by the BRSA, was TL 1.3 billion (9.1% of equity), which is well below the 20% limit advised by the Basel Committee (Principles for the Management and Supervision of Interest Rate Risk, July 2004).

The following table sets forth the Group's "repricing" gap as of 31 December 2017. The Group reports its "repricing" gap only on an annual basis.

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest-Bearing	Total
Assets				*(TL thousands)*			
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank	9,075,895	-	-	-	-	6,806,377	15,882,272
Due from Banks	929,337	4,089	8,189	-	-	358,157	1,299,772
Financial Assets at Fair Value Through Profit/Loss	13,237	9,733	21,887	20,704	14,445	5,462,230	5,542,236
Money Market Placements	241,859	-	-	-	-	-	241,859
Inv. Securities Available-for-Sale	1,072,716	966,372	2,722,928	1,032,698	2,418,309	136,852	8,349,875
Loans and Receivables	17,215,456	8,691,744	26,622,376	24,352,841	3,415,159	2,130,780	82,428,356
Investment Securities Held to Maturity	191,969	1,387,592	2,088,237	999,729	2,286,334	214,803	7,168,664
Other Assets	774,280	529,771	1,357,725	2,565,528	257,525	4,796,802	10,281,631
Total Assets	**29,514,749**	**11,589,301**	**32,821,342**	**28,971,500**	**8,391,772**	**19,906,001**	**131,194,665**
Liabilities							
Bank Deposits	1,855,973	205,422	149,449	-	-	134,035	2,344,879
Other Deposits	40,604,471	8,605,660	2,957,289	24,121	-	13,006,955	65,198,496
Money Market Borrowings	4,131,754	1,699,207	1,120,451	-	30,148	18,207	6,999,767
Sundry Creditors	3,257,730	-	-	-	-	2,957,681	6,215,411
Securities Issued	1,816,983	3,280,211	515,647	4,741,620	-	43,564	10,398,025
Funds Borrowed	3,510,963	3,059,173	12,070,952	954,129	1,799,190	128,456	21,522,863
Other Liabilities	261	537	8,531	5,392	-	18,500,503	18,515,224
Total Liabilities	**55,178,135**	**16,850,210**	**16,822,319**	**5,725,262**	**1,829,338**	**34,789,401**	**131,194,665**
On Balance Sheet Long Position	-	-	15,999,023	23,246,238	6,562,434	-	45,807,695
On-Balance Sheet Short Position	(25,663,386)	(5,260,909)	-	-	-	(14,883,400)	(45,807,695)
Off-Balance Sheet Long Position	6,266,978	15,722,425	554,484	-	-	-	22,543,887
Off-Balance Sheet Short Position	-	-	-	(16,166,423)	(3,063,760)	-	(19,230,183)
Total Position	**(19,396,408)**	**10,461,516**	**16,553,507**	**7,079,815**	**3,498,674**	**(14,883,400)**	**3,313,704**

Equity Risk

Equity risk is the risk related to potential losses that the Group might incur due to adverse movements in the prices of stocks and equity indices. The Group holds a limited portfolio of stocks, the majority of which are traded on the Borsa İstanbul, and also retains positions in stock and equity index derivatives traded in Turkish and international exchanges.

Foreign Exchange Risk

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The Group's foreign exchange risk derives from its open currency position ("*OCP*").

The Group trades in all major currencies, holding mainly short-term positions for trading purposes and for servicing its institutional, corporate, domestic and international clients. According to the Bank's strategy, the end-of-day OCP is required to comply with regulatory limits.

The Group evaluates its exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Group also engages in foreign option transactions. The position limit of the

Group related to foreign exchange risk is determined according to the foreign currency net position standard ratio determined by the BRSA.

Turkish banking authorities regulate and monitor the net open position maintained by banks, as discussed in "Turkish Regulatory Environment." The Bank's net foreign currency position is closely monitored by the Treasury Department with respect to a limit set by the BRC.

The Bank's consolidated subsidiaries and its associates determine position limit related with foreign exchange risk as determined by the applicable regulatory bodies. The Bank's Bahrain branch conducts its operations in U.S. dollars.

The following table sets forth the Group's net foreign currency position after including off-balance sheet positions (notional values of derivatives) as of the indicated dates.

	Net foreign currency position
	(TL millions)
As of 31 December 2015	(247.8)
As of 31 December 2016	(1,644.9)
As of 31 December 2017	(1,812.4)

Foreign Exchange Risk Concentration. The Group's exposure to foreign exchange risk as of 31 December 2017, before taking into consideration the effect of hedging, is presented in the following table. As described above, the end-of-day OCP is required to comply with regulatory limits. Compliance is achieved by entering into appropriate offsetting positions. Consequently, the net exposure to each foreign currency is maintained at low levels and within the regulatory limits. The Group publicly reports its foreign exchange risk concentration only on an annual basis.

	Euro	**U.S. Dollars**	**Others**	**Total**
		(TL thousands)		
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	3,509,095	8,430,826	1,811,411	13,751,332
Due From Banks	106,293	1,163,743	12,079	1,282,115
Financial Assets at Fair Value through Profit/Loss	83,999	116,207	416	200,622
Investment Securities Available-for-Sale	406,228	2,823,374	-	3,229,602
Loans and Receivables	13,131,631	9,258,352	145,930	22,535,913
Investment Securities Held-to-Maturity	19,755	3,408,710	-	3,428,465
Derivative Financial Assets Hedging Purposes	6,315	56,092	-	62,407
Tangible Assets	-	-	43	43
Other Assets	2,432,192	1,194,928	41,529	3,668,649
Total Assets	**19,695,508**	**26,452,232**	**2,011,408**	**48,159,148**
Liabilities				
Bank Deposits	306,935	1,810,122	102,836	2,219,893
Foreign Currency Deposits	7,718,062	21,347,608	1,686,466	30,752,136
Money Market Borrowings	220,431	4,410,825	-	4,631,256
Funds Provided from Other Financial Institutions	6,340,185	11,451,087	2,276,610	20,067,882
Securities Issued	177,687	5,816,993	-	5,994,680
Sundry Creditors	2,700,551	826,561	8,755	3,535,867
Derivative Financial Liabilities Hedging Purposes	59,202	180,053	-	239,255
Other Liabilities	164,747	325,487	1,907	492,141
Total Liabilities	**17,687,800**	**46,168,736**	**4,076,574**	**67,933,110**
Net Balance Sheet Position	2,007,708	(19,716,504)	(2,065,166)	(19,773,962)
Net Off-Balance Sheet Position	**(2,135,608)**	**17,986,103**	**2,111,085**	**17,961,580**

As of 31 December 2017, the Group's net foreign currency exposure was a short position of TL 1.8 billion (compared to a short position of TL 1.6 billion as of 31 December 2016) resulting from an on balance sheet short position of TL 19.8 billion (compared to a TL 13.6 billion short position as of 31 December 2016) and an off balance sheet long position of TL 18.0 billion (compared to a TL 12.0 billion long position as of 31 December 2016). Taking into account the application of fair value hedge accounting to a debt obligation with the notional amount of US$380.0 million (TL 1.5 billion) recorded on the balance sheet, the Group's net foreign currency short position in 2017 was TL 364.4 million.

Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices and bond prices and foreign exchange rates) and their levels of volatility. The Group's trading activities include a wide variety of financial products in order to enhance its profitability and its service to clientele. These trading activities require the Group to assume market risk, which the Group seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Group's transactions. The capital required for general market risk and specific risk is calculated and reported monthly in accordance with the "standard method" as defined in the "Regulation on the Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA and, within the time period determined by the BRSA following the calculation, the BRSA is required to be notified thereof. The most significant types of market risk for the Group are interest rate risk and foreign exchange risk.

Value-at-Risk. The Risk Management Division calculates daily value-at-risk ("*VaR*") for the Bank's trading book and total portfolio, which consists of its trading book and available-for-sale portfolio. In particular, the Bank has adopted a historical simulation methodology with a 99% confidence interval and a one-day holding period. Overall "Bank Risk Tolerance" and VaR limits for each risk factor are determined in order to manage the market risk efficiently and to keep the market risk within the desired limits. The Group's Risk Management Department monitors VaR balances daily for compliance with the limits. Periodic stress tests and scenario analyses are used to support the results of the VaR analysis.

The limits have been determined by reference to worldwide best practices; they refer not only to specific types of market risk, such as interest rate, foreign exchange and equity risk, but also to the overall market risk of the Bank's trading and available for sale portfolios.

The tables below set forth the Bank's VaR as of and for the period ended on the indicated dates:

	As of and for the year ended 31 December 2015			
	Total VaR	**Interest rate VaR**	**Equity VaR**	**Foreign exchange risk VaR**
VaR		*(TL thousands)*		
As of period end	30,765	35,376	15	4,263
Period Average	34,256	33,991	14	3,441
Period Maximum	48,345	46,051	44	8,838
Period Minimum	21,623	23,829	–	637

	As of and for the year ended 31 December 2016			
	Total VaR	**Interest rate VaR**	**Equity VaR**	**Foreign exchange risk VaR**
VaR		*(TL thousands)*		
As of period end	55,227	55,436	1	340
Period Average	46,643	46,994	14	944
Period Maximum	83,835	84,557	31	4,929
Period Minimum	24,757	24,928	1	65

	As of and for the year ended 31 December 2017			
VaR	**Total VaR**	**Interest rate VaR**	**Equity VaR**	**Foreign exchange risk VaR**
	(TL thousands)			
As of period end	24,318	24,091	-	717
Period Average	31,430	31,316	-	868
Period Maximum	15,023	15,365	-	144
Period Minimum	60,980	61,261	3	3,631

As of 31 December 2017, Total VaR decreased to TL 24.3 million from TL 55.2 million as of 31 December 2016 due to relatively decreased market volatility. The Group uses a historical VaR methodology, with a 252-day observation period and exponentially weighted moving average ("*EWMA*"). EWMA captures the dynamic features of volatility, in which the latest observations carry the highest weight in the volatility estimation. For example, observations of the most recent 100 days (out of the last 252 days included in the EWMA) cover 95.0% of the volatility estimate. The lower market volatility for the 100 days preceding 31 December 2017 compared to the same figure as of 31 December 2016 resulted in a lower VaR figure for 31 December 2017.

The Bank also performs back-testing in order to verify the predictive power of its VaR model. There were no excesses in back-testing results in 2017. Back-testing is used to determine whether a change in the value of the portfolio, as a result of actual changes in risk factors, corresponds to the VaR predicted by the model for the same period of time. Having experienced no excesses in the past year verifies the predictability power of the model. In addition, the Bank performs stress test analyses and stress VaR calculation on its trading book on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices that are based upon the latest financial crises that have taken place in Turkey. The stress period for stress VaR calculation is defined from October 2007 to October 2008 in order to cover the 2008 global financial crisis.

In addition, the Bank performs stress test analyses on its trading and available-for-sale portfolios on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices that are based upon the latest financial crises that have taken place in Turkey.

Limitations of the VaR model. The VaR model is based upon certain theoretical assumptions, which under extreme market conditions might not capture the maximum loss the Bank will suffer. Some of the limitations of the Group's methodology are summarised as follows:

(a) The use of historical data series as predictive measures for the behaviour of risk factors in the future might prove insufficient in periods of intense volatility in financial markets.

(b) The one-day holding period for VaR calculations (or 10 days for regulatory purposes) implies that the Bank will be able to liquidate all of its trading assets within this length of time. This assumption might underestimate market risk in periods of insufficient liquidity in financial markets or in cases where certain assets in the Bank's portfolio cannot be easily liquidated.

(c) VaR refers to the plausible loss on the Bank's portfolio for a 99% confidence interval, not taking into account any losses beyond that level.

(d) All calculations are based upon the Bank's positions at the end of each business day, ignoring the intra-day exposures and any realised losses that might have been incurred.

(e) VaR estimates rely upon small changes in the prices of risk factors. For bigger movements, the methodology would not fully capture the effect on the value of the portfolio.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the institution's inability to meet its liabilities when they come due without incurring unacceptable losses. It reflects the potential mismatch of payment obligations to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/call risk). Liquidity risk involves both the risk of unexpected increases in the interest expense the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The primary objectives of the Group's asset and liability management are to ensure that sufficient liquidity is available to meet the Bank's commitments to its customers in respect of repayment of deposits and ATM transactions, to satisfy the Bank's other liquidity needs and to ensure compliance with capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of the Bank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of the Bank. The objective of the Bank's asset and liability management strategy is to structure the Bank's balance sheet in view of liquidity risk, maturity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has adequate capital and is using capital to maximise net interest income. The ALCO sets the Bank's policies for interest rate levels and terms for loans and deposits and makes decisions regarding maturities and pricing of loans and deposits. In addition, members of the Treasury Department, including the group managers, managers, assistant managers and fixed income and foreign exchange traders, meet each business day to monitor the risk exposure of the Bank, particularly the Bank's net foreign currency short position and the daily interest rate gap and duration.

The Bank's Treasury Department is responsible for managing and implementing the Bank's asset and liability positions on a day-to-day basis and ensuring the availability of funds for all of the Bank's products and services distributed through the Bank's branch network. The Treasury department measures and evaluates on a daily basis the Bank's risk exposure and unfavourable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities.

The Group's primary funding source is total deposits (customer deposits and due to other banks), which constituted 54.9%, 51.6% and 51.5% of total liabilities as of 31 December 2015, 2016 and 2017, respectively. The Bank's management believes that total deposits provide it with a stable funding base.

As of 31 December 2017, demand deposits, of which 44.8% were Turkish Lira-denominated, constituted 18.8% of the Group's total deposits. As of the same date, time deposits represented the remainder of total deposits, with Turkish Lira-denominated deposits representing a majority with 52.7% of the total time deposits. The following table sets forth the deposit breakdown by currencies as of each of the indicated dates:

	As of 31 December		
	2015	2016	2017
Demand deposits	**15.6%**	**17.4%**	**18.8%**
Turkish Lira-denominated	8.0%	8.9%	8.4%
Foreign currency-denominated	7.7%	8.5%	10.4%
Time deposits	**84.4%**	**82.6%**	**81.2%**
Turkish Lira-denominated	51.6%	49.6%	42.8%
Foreign currency-denominated	32.7%	33.0%	38.4%
Total deposits[(1)]	**100.0%**	**100.0%**	**100.0%**
Turkish Lira-denominated	59.6%	58.5%	51.2%
Foreign currency-denominated	40.4%	41.5%	48.8%

(1) Total deposits include customer deposits and due to other banks.

The following table sets forth the maturity profile of deposits as of each of the indicated dates:

	As of 31 December		
	2015	2016	2017
		(TL thousands)	
Demand deposits	**7,548,323**	**9,358,456**	**12,724,536**
Turkish Lira-denominated	3,846,269	4,768,222	5,695,175
Foreign currency-denominated	3,702,054	4,590,234	7,029,361
Up to 1 month	**6,278,794**	**6,846,989**	**8,304,849**
Turkish Lira-denominated	4,237,290	5,026,672	5,271,779
Foreign currency-denominated	2,041,504	1,820,317	3,033,069
1 to 3 months	**30,258,780**	**33,324,191**	**38,919,134**
Turkish Lira-denominated	18,206,369	19,263,563	19,387,679
Foreign currency-denominated	12,052,411	14,060,628	19,531,455
3 to 12 months	**2,606,133**	**2,858,809**	**4,801,425**
Turkish Lira-denominated	1,367,891	1,509,388	2,245,668
Foreign currency-denominated	1,238,242	1,349,421	2,555,757
1 to 5 years	**1,619,247**	**1,476,804**	**2,793,431**
Turkish Lira-denominated	1,129,766	926,146	1,971,044
Foreign currency-denominated	489,481	550,658	822,387
Total deposits[(1)]	**48,311,277**	**53,865,249**	**67,543,375**
Turkish Lira-denominated	28,787,585	31,493,991	34,571,346
Foreign currency-denominated	14,722,952	19,523,692	32,972,029

(1) Total deposits include customer deposits and due to other banks.

Insurance Risk

The insurance policies issued by the Group carry a degree of risk. The risk under any insurance policy is the possibility of the insured event resulting in a claim. By the very nature of an insurance policy, risk is based upon fortuity and is therefore unpredictable.

The principal risk that the Group may face under its insurance policies is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This could occur because the frequency or severity of claims is greater than estimated.

The above risk exposure is mitigated, to some extent, by diversification across a large portfolio of insurance policies. The variability of risks is also improved by the careful selection and implementation of the Group's underwriting policy, reinsurance strategy and internal guidelines, within an overall risk management framework. Pricing is based upon assumptions and statistics with regard to trends, current market conditions and past experience.

Reinsurance arrangements include proportional, optional facultative, excess of loss and catastrophic coverage.

Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events.

Operational risk is managed based upon a framework for identifying, measuring, monitoring and managing all risks within the scope of the definition of operational risk. All the activities and processes of the Bank are identified and documented in its "Activity Process Model." Activity-based operational risks are identified through "risk control self assessment" ("*RCSA*"), which is an annual base self-assessment process. The operational risks that the Bank faces have been identified, assessed and categorised by the RCSA process since 2007. Operational loss data collection, which started in January 2005, enables the Bank to be compliant with "Advanced Approaches" of Basel II, which is a report published in 2004 by the Basel Committee entitled "International Convergence of Capital Measurement and Capital Standards: a Revised

Framework" that set out a new international capital adequacy framework ("*Basel II*"). While loss data are accumulated to provide meaningful statistical data, business processes (where improvements are required) are defined based upon the results. The "Structured Scenario Analysis" process takes place on an annual basis, involving the engagement of senior business experts in a series of workshops. A key risk indicators collection and monitoring process aims to provide metrics that allow the proactive and/or retroactive monitoring of risk trends. The Bank's Operational Risk Committee defines necessary improvement actions.

A business continuity management plan, prepared in order to minimise losses due to business disruption, has been implemented by the Group. Comprehensive annual tests of the Bank's disaster recovery centre are undertaken with the participation of business units and the IT department.

Model Validation

The Bank's Model Validation Unit is responsible for assessing the predictive ability of the Bank's risk estimates and its use of ratings in credit processes. The unit's main goal is to attain the maximum benefit from the employment of these models while staying in compliance with regulatory requirements. Validations of credit cards, retail loans and SME application and behavioural scorecards are undertaken periodically. The performances of existing scorecards are also monitored. Moreover, the models of the treasury control unit and market risk management are examined and the results reported to management. The implementation of the IT and database infrastructure for periodic monitoring of the scorecard performances is on-going.

Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies

Turkey is a member country of the Financial Action Task Force (the "*FATF*") and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the "*Law on the Prevention of Laundering Proceeds of Crime*").

The main provisions of the Law on the Prevention of Laundering Proceeds of Crime and related law include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

In an effort to ensure compliance with FATF requirements, Law No. 6415 on the Prevention of the Financing of Terrorism was introduced on 16 February 2013, which introduced an expanded scope to the financing of terrorism offense (as defined under Turkish anti-terrorism laws). The law further criminalised terrorist financing and implemented an enhanced legal framework for identifying and freezing terrorist assets.

The Bank's management believes that the Group is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation in effect, namely the "Regulation on 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." These regulations include requirements to have written policies and procedures on anti-money laundering and "know your customer" principles such as assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

Capital Adequacy

The Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets, off-balance sheet exposures, market and other risk positions. The Equity Regulation, which entered into force on 1 January 2014, defines the capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier 1 capital), which is

composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e.*, additional Tier 1 capital), and (b) supplementary capital (*i.e.*, Tier 2 capital) *minus* capital deductions. The 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, provides that: (i) both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratios are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratios are 6.0% (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%).

The following table sets forth the Group's consolidated capital adequacy ratios as of the indicated dates, calculated in accordance with the 2012 Capital Adequacy Regulation, which was replaced by the 2015 Capital Adequacy Regulation as of 31 March 2016.

	As of 31 December	
	2016	**2017**
Capital:	(*TL thousands*)	
Tier 1 capital[(1)]	9,922,078	11,820,880
Tier 2 capital[(2)]	1,582,608	2,675,956
Total capital	**11,504,686**	**14,496,836**
Deductions[(3)]	(63,682)	(31,347)
Net total capital	**11,441,004**	**14,465,489**
Risk Weighted Assets (including market & operational risk)	**80,174,960**	**99,844,574**
Capital Adequacy Ratios:		
Tier 1 ratio	12.38%	11.84%
Total capital ratio[(4)]	14.27%	14.49%

(1) Includes share capital, reserves, retained earnings and profit for the period.
(2) Includes revaluation reserve plus general provisions, foreign exchange differences, valuation of marketable securities and subordinated debt.
(3) Includes loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debts and debt instruments purchased from such parties qualified as primary or secondary subordinated debts and net book values of properties exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years after foreclosure.
(4) Includes net total capital as a percentage of risk weighted assets including market and operational risk.

The Bank maintains regulatory capital ratios (in accordance with BRSA calculations) on both a Bank-only and consolidated basis in excess of the regulatory minimum. The Group's Tier 1 ratio and total capital ratio were 11.84% and 14.49% as of 31 December 2017 and 12.38% and 14.27% as of 31 December 2016, respectively. The Bank's Tier 1 ratio and total capital ratio were 12.32% and 14.49% as of 31 December 2017 and 12.73% and 14.53% as of 31 December 2016, respectively. See "Turkish Regulatory Environment − Capital Adequacy" for additional information.

MANAGEMENT

Overview

Pursuant to the provisions of the Turkish Commercial Code (Law No. 6102), and the articles of association of the Bank, the Board of Directors is responsible for the management of the Bank.

As of the date of this Base Prospectus, the Board of Directors consists of 11 members. The articles of association provide that the Board of Directors shall consist of a minimum of five members, with the General Manager of the Bank (and the Deputy General Manager in his absence) serving as a delegated member of the Board of Directors, and all other members being elected by the shareholders of the Bank. Members of the Board of Directors can be elected only for three fiscal year terms and can be re-elected or changed at any time. Meetings of the Board of Directors occur at the Bank's head office or (to the extent a written notice is served to the Bank's Chairman, Vice-Chairman and the members of the Board of Directors) the Board of Directors may also convene at another location in İstanbul or in another city in Turkey or abroad. The required meeting quorum at any Board of Directors meeting is a majority of the members. Resolutions must be passed by a majority of the members present at a meeting. In particular, the Bank's Board of Directors has the power to:

(a) establish branches, agencies and representative offices in Turkey and abroad,

(b) approve the Bank's labour rules,

(c) appoint executive vice presidents pursuant to the relevant recommendation of the Bank's Chief Executive Officer,

(d) approve the Group's annual BRSA consolidated financial statements and the Bank's annual BRSA Bank-only financial statements, and

(e) issue bonds in accordance with the Bank's Articles of Association.

The Bank's senior management includes the Bank's Executive Vice Presidents and Heads of Divisions as well as the Coordinators responsible for retail marketing and retail loans.

Board of Directors

The following table sets out the members of the Board of Directors, their position and the date of their appointment to the Board. As of the date of this Base Prospectus, the current term of all members of the Board of Directors is valid until June 2019.

Name	Position	Date first appointed
Dr Mehmet Ömer Arif Aras	Chairman	2000
Sinan Şahinbaş	Vice Chairman	2004
Temel Güzeloğlu	Board Member and General Manager	2010
Ali Teoman Kerman	Board Member and Head of Audit Committee	2013
Osman Reha Yolalan	Board Member	2016
Fatma Abdulla S.S. Al-Suwaidi	Board Member	2016
Abdulla Mubarak N. Alkhalifa	Board Member	2016
Ali Rashid A.S. Al-Mohannadi	Board Member	2016
Noor Mohammad Al-Naimi	Board and Audit Committee Member	2016
Ramzi T.A. Mari	Board and Audit Committee Member	2016
Durmuş Ali Kuzu	Board and Audit Committee Member	2016

The business address of the members of the Board of Directors is Esentepe Mahallesi, Büyükdere Cad., Kristal Kule Binası, No:215, Şişli, İstanbul, Turkey. Set forth below are brief biographies of each of the current members of the Board of Directors.

Chairman

Dr Ömer A. Aras - Chairman of the Board of Directors and Group CEO

Dr Ömer A. Aras earned a bachelor's degree in economics from the Economic and Commercial Sciences Academy in 1975. He then received an MBA in 1978 and a PhD in 1981 from Syracuse University. Subsequently and until 1984, Dr Aras served as a faculty member in the Business Administration Department at Ohio State University. Between 1984 and 1987, he worked as Credit Marketing Manager and Credit Committee Member at Citibank. Dr Aras participated in the establishment of the Bank in 1987, and served as Assistant General Manager for two years and as General Manager for six years. From 1989 to 2006, he served as Vice Chairman of Fiba Holding. Between 2003 and 2007, he was a Board Member of the Turkish Industrialists' and Businessmen's Association (TUSIAD). From November 2006 until April 2010, Dr Aras served as the Vice-Chairman of the Board of Directors of the Bank and Group CEO of the Bank, Finans Leasing, Finans Portfolio and Finansinvest. Since April 2010, Dr Aras has been serving as the Chairman and Group CEO.

Vice Chairman

Sinan Şahinbaş - Vice Chairman of the Board of Directors

Mr. Sinan Şahinbaş earned a bachelor's degree in civil engineering from İstanbul Technical University, Faculty of Engineering in 1988. Mr. Şahinbaş then received master's degrees in International Relations from İstanbul University and in Finance from Yeditepe University. He started his professional career at the Bank in 1990 and served in different positions in various departments of the Bank. He worked in the establishment of representative offices of Finansbank (Suisse) SA and Finansbank (Holland) NV in Turkey. In 1997, he was appointed Executive Vice President of Garanti Bank (Holland) NV. A year later, Mr. Şahinbaş moved back to Finansbank (Holland) NV and served as the General Manager between 1999 and 2001. He became Senior Executive Vice President at the Bank in 2001 and served as General Manager from 2003 to 2010. Mr. Şahinbaş was appointed Vice Chairman in April 2010.

Board Members

Temel Güzeloğlu – Chief Executive Officer and Member of the Board of Directors

Mr. Temel Güzeloğlu has bachelor's degrees in Electrical and Electronic Engineering and in Physics from Boğaziçi University, a master's degree in Electrical and Computer Engineering from Northeastern University (Boston, Massachusetts), and an MBA from Bilgi University. Mr. Güzeloğlu worked as the Executive Vice President of the Bank in charge of Retail Banking until August 2008 and afterwards served as Executive Vice President in charge of Retail Banking and member of the Management Committee. He was appointed General Manager in April 2010.

Ali Teoman Kerman - Member of the Board of Directors and Head of the Audit Committee

Mr. Kerman received his graduate degree in Economics from University of Hacettepe in 1980 and obtained post graduate degree in Project Planning and National Development from University of Bradford in 1982. He began his career at the Undersecretariat of Treasury where he held several positions including Deputy Under Secretary responsible from Regulation of Banking, Non-banking sector, Foreign Exchange, Insurance and Department of Administration. In 2000, he was appointed as the Vice President responsible from Regulation, Enforcement and Licensing of newly establishing Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF) for three years and Chairman of the Board in Generali, EGE and Toprak Insurance Companies. Mr. Kerman retired in April 2005 and set up KDM Financial consultancy company. Mr. Kerman was appointed as a Member of the Board of Directors of the Bank in April 2013 and the Head of the Audit Committee in April 2014.

Osman Reha Yolalan - Member of the Board of Directors

Mr. Yolalan has a bachelor's degree in Industrial Engineering from İstanbul Technical University, holds a master's degree in Industrial Engineering from Boğaziçi University and a PhD in Management Sciences from Laval University, Quebec-Canada. Mr. Yolalan started his career as a specialist in the Strategic Planning Department of Yapı Kredi Bank. He worked as the Head of Corporate and Economic Research Department from 1994 to 2000 and the Executive Vice President in charge of Financial Analysis and Credit Risk Management from 2000 to 2004. Mr. Yolalan was appointed as the CEO of Yapı Kredi Bank in 2004 and served as a member of the board of directors in 2004 and 2005. He has been working at Tekfen Holding as the Vice President in charge of Corporate Affairs since 2006. He has been teaching as a part-time professor in a number of universities in Turkey and has authored various articles in the field of bank management. Mr. Yolalan was appointed as a member of the Board of Directors of the Bank in June 2016.

Fatma Abdulla S.S. Al-Suwaidi - Member of the Board of Directors

Mrs. Al-Suwaidi holds a bachelor's degree in Accounting, a master's degree in Risk Management and an MBA from Qatar University. She joined QNB in 1999 and, as of 20 September 2016, she was serving as the Assistant General Manager of QNB's Group Credit department, which is responsible for the bank's risk assessment and monitoring. As of the same date, she was a board member at QNB Tunisia and Commercial Bank International PSC (UAE). She was appointed as a member of the Board of Directors of the Bank in June 2016. She is also a member of the Audit Committee.

Abdulla Mubarak N. Alkhalifa - Member of the Board of Directors

Mr. Alkhalifa holds a bachelor's degree in Business Administration from Eastern Washington University (United States). He joined QNB in 1996 and, as of 20 September 2016, he was serving as a Co-Executive General Manager and the Group Chief Business Officer of QNB. As of the same date, he was a board member of QNB ALAHLI S.A.E. (Egypt), Housing Bank for Trade and Finance (Jordan), QNB Capital LLC and QNB Finance Ltd. He was appointed as a member of the Board of Directors of the Bank in June 2016.

Ali Rashid A.S. Al-Mohannadi - Member of the Board of Directors

Mr. Mohannadi holds a bachelor's degree in Computer Science from Qatar University. He joined QNB in 1996 and, as of 20 September 2016, he was a Co-Executive General Manager and the Group Chief Operating Officer of QNB. As of the same date, Mr. Mohannadi was a board member in QNB ALAHLI S.A.E (Egypt) and Commercial Bank International PSC (UAE). He was appointed as a member of the Board of Directors of the Bank in June 2016.

Noor Mohammad Al-Naimi - Member of the Board of Directors

Ms. Al-Naimi earned a bachelor's degree in Business Administration from Qatar University. Ms. Al-Naimi joined QNB in 2000 and, after holding various positions in the Treasury Operations and Control Division of QNB, she became the Assistant General Manager of the Treasury Operations Trading & Investment Division of QNB. In 2014, Ms. Al-Naimi was appointed as the Acting General Manager of the Treasury group of QNB. She was appointed as a member of the Board of Directors of the Bank in June 2017. As of the date of this Base Prospectus, she is also a member of the board of QNB ALAHLI S.A.E. (Egypt).

Ramzi T.A. Mari - Member of the Board of Directors

Mr. Mari completed the Certified Public Accountant Examination in the State of California, United States and holds a master's degree in Accounting from the California State University, United States. Mr. Mari joined QNB in 1997 from Jordan Bank and, as of 20 September 2016, he was a Co-General Manager and the Chief Financial Officer of QNB. As of the same date, he was a board member at Housing Bank for Trade and Finance (Jordan), QNB ALAHLI S.A.E. (Egypt), QNB Capital LLC and Qatar International Holding LLC. He was appointed as a member of the Board of Directors of the Bank in June 2016. He is also a member of the Audit Committee.

Durmuş Ali Kuzu - Member of the Board of Directors

Mr. Ali Kuzu received a bachelor's degree in Business Management from the Ankara University Department of Faculty of Political Sciences in 1996, an MBA from Urbana Illinois University in 2008, and is currently enrolled in a Ph.D programme at Başkent University. After beginning his career at Vakifbank in 1996 and then Türkiye Emlak Bankası from 1997 to 1999, he went on to hold various Vice Presidency and managerial positions at the Undersecretariat of the Treasury, the Public Oversight Accounting and Auditing Standards Authority and the Banking Regulation and Supervision Agency (BRSA). He was appointed Member of the Board and Member of Audit Committee in August 2016.

Executive Vice Presidents, Heads of Divisions and Coordinators

The Executive Vice Presidents, Heads of Divisions and Coordinators each report to the Chairman and Vice Chairman and are responsible for supervising and coordinating the activities of their respective units, monitoring progress with regard to the Bank's business targets and goals, approving expenditures, investments and financing within set limits and contributing to the Bank's management regarding the design of the Bank's strategy, setting targets for the Bank and drawing up an annual budget for their respective divisions.

Executive Vice Presidents	**Area of responsibility**
Hakan Alp	Human Resources
Köksal Çoban	Treasury
Dr. Mehmet Kürşad Demirkol	Information Technologies, Process Management, Operations ADC
Hasan Murat Şakar	Purchasing and Technical Service
Adnan Menderes Yayla	Financial Control and Planning
Halim Ersun Bilgici	Retail and Commercial Credits
Erkin Aydın	Consumer Banking, Payment Systems, SME and Agricultural Banking
Osman Ömür Tan	Corporate Banking and Commercial Banking
Enis Kurtoğlu	Mass Banking and Direct Sales
Murat Koraş	Payment Systems
Emel Yılmaz Özbay	Legal Affairs
Engin Turhan	Commercial Banking and Project Finance

Heads of Divisions	**Area of responsibility**
Ersin Emir	Internal Audit
Ahmet Erzengin	Head of Compliance Division and Internal Control
Zeynep Aydın Demirkıran	Risk Management
Bülent Yurdalan	Internal Systems

The business address of the Bank's Executive Vice Presidents, Heads of Divisions and Coordinators is Esentepe Mahallesi, Büyükdere Cad., Kristal Kule Binası, No:215, Şişli, İstanbul, Turkey. Set forth below is brief biographical information regarding the Bank's Executive Vice Presidents, Heads of Divisions and Coordinators who are not also directors.

Executive Vice Presidents

Hakan Alp

Mr. Hakan Alp graduated from Ankara University, Faculty of Political Sciences, with a bachelor's degree in International Relations in 1989. He worked for the Internal Audit Department between 1991 and 1997 at Garanti Bank where he also served as Senior Vice President in charge of Training from 1997 until 1999. He then started working for Humanitas Doğuş Human Resources Management and served as Executive Vice President in charge of Training, Executive Development, Finance and Administration and Operations from 2000 to 2003. He held the position of Executive Vice President in charge of Human Resources from 2003 until 2005 at Tansaş and from 2005 to 2006 at Sütaş. In 2007, he became Senior Vice President in charge of Human Resources at the Bank. Mr. Alp was appointed as the Executive Vice President in charge of Human Resources as of June 2010.

Köksal Çoban

Mr. Köksal Çoban graduated from Middle East Technical University with a degree in Business Administration and earned a master's degree in Finance from City University. He worked at Turk Eximbank between 1990-1995 and at Demirbank between 1995-1997. Mr. Çoban joined the Bank's Treasury in 1997 as International Markets Manager and served as Director of International Markets from 1998 to 2000. Beginning in 2000, he assumed various managerial positions within the Treasury Department. Mr. Çoban was appointed as the Executive Vice President in charge of Treasury in August 2008.

Mehmet Kürşad Demirkol

Mr. Mehmet Kürşad Demirkol graduated from the Faculty of Electrical and Electronics Engineering at Bilkent University in 1995 as student marshal and subsequently earned MSc and PhD degrees from Stanford University. He worked as an Application Engineer at Oracle-Redwood between 1996 and 1997 and as a Research Assistant at Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and İstanbul offices of McKinsey & Company from 1999 until 2003. Mr. Demirkol worked as the Group Head of Business Development and Strategy Department at the Bank between 2004 and 2005. He served as Vice President of Information Technology and Card Operations at Finansbank Russia in 2005. He then served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007. In 2007, he started working as Head of Information Technologies at Vakıfbank and was appointed Chief Information Officer of the bank in the same year. Additionally, he undertook the post of Chief Operating Officer in charge of Operations and Alternative Delivery Channels in 2008. Mr. Demirkol has worked at the Bank as Executive Vice President in charge of Information Technologies and Process Management since October 2010. From November 2011 he has served as the Executive Vice President in charge of IT and Operations.

Hasan Murat Şakar

Mr. Hasan Murat Şakar holds a bachelor's degree in Industrial Engineering from İstanbul Technical University. He worked as Business Unit Manager at Rehau Polimeri Kimya Sanayi from 2002 to 2005 and as Purchasing Manager at Arçelik between 1992 and 2002. Mr. Şakar served as the Coordinator of Purchasing and Technical Services at the Bank from March 2005 until August 2008. He was appointed as the Executive Vice President in charge of Purchasing and Technical Services at the Bank in August 2008.

Adnan Menderes Yayla

Mr. Adnan Menderes Yayla earned a bachelor's degree in Economics from Ankara University, Faculty of Political Sciences in 1985 and an MBA degree from the University of Illinois at Urbana-Champaign in 1994. He worked as an Assistant Auditor and Auditor for the Ministry of Finance from 1985 to 1995; Project Valuation Division Head for Privatization Administration from 1995 to 1996; Managing Director, Senior Managing Director and Partner of Pricewaterhouse Coopers offices in İstanbul and London from 1996 to 2000; and Executive Vice President in charge of Financial Control and Risk Management for Türk Dış Ticaret Bankası (Fortis) from 2000 to 2008. Having joined the Bank in May 2008, Mr. Yayla has been serving as Group Chief Financial Officer since that time.

Halim Ersun Bilgici

After receiving a bachelor's degree in Law from Ankara University in 1991, Mr. Halim Ersun Bilgici received a master's degree in Economics from Yeditepe University in 2010. He started his banking career at İktisat Bank in 1992. In 2002, he started working as the Coordinator of Retail Marketing at Şekerbank T.A.Ş. Mr. Bilgici began working at the Bank's Credits Department in 2003. He was appointed as the Executive Vice President in charge of Retail Credits in 2013. Since October 2013, he has been serving as the Executive Vice President responsible for Retail and Commercial Credits.

Erkin Aydın

Mr. Erkin Aydın earned a bachelor's degree in Civil Engineering at Bogaziçi University, Faculty of Engineering in 1997 and an MBA at the University of Michigan, School of Business in 2003. Mr. Aydın started his career as a Business Development and Project Engineer at Guy F. Atkinson Construction in the USA in 1998. Later, he worked as a Project Manager for Clark Construction Group. In 2002, Mr. Aydın joined McKinsey & Company in İstanbul and worked

respectively as Consultant, Project Manager and Associate Partner. He started to work for the Bank in 2008 as Head of Housing and Consumer Loans. As of February 2010, Mr. Aydın was appointed Retail Marketing Coordinator and in May 2011 he was appointed as the Executive Vice President in charge of Retail Banking. As of October 2013, he became the Executive Vice President responsible for Consumer Banking and Payment Systems and he has been serving as Executive Vice President for Consumer Banking, SME Banking and Corporate Institutions since September 2017.

Osman Ömür Tan

Mr. Osman Ömür Tan earned a bachelor's degree in Statistics from Hacettepe University. He began working at Yapı Kredi Bankası as a Management Trainee in 1995 and joined the Bank in 1998. At the Bank, he has served respectively as Corporate Branch Customer Relationship Manager, Corporate Branch Manager, Group Manager in charge of Head Office Key Accounts and Group Manager in charge of Corporate Banking. Mr. Tan was appointed Executive Vice President in charge of Corporate Banking, Structured Finance and Trade Finance in October 2011. From October 2013 he has been the Executive Vice President responsible for Corporate and Commercial Banking.

Enis Kurtoğlu

Mr. Enis Kurtoğlu graduated from the Electrics and Electronics Engineering Department of Boğaziçi University in 1999 and then completed an MBA at University of London. He served as the Marketing Director at Citibank A.Ş. between 1999 and 2010. After working as the Mass Banking Senior Vice President between 2010 and 2012 and the Mass Banking Director between 2012 and 2014 at the Bank, he served as the Mass Banking and Direct Sales Director from 2014 to May 2015. Since May 2015, he has been serving as the Mass Banking and Direct Sales Executive Vice President.

Murat Koraş

Mr. Murat Koraş graduated from the Industrial Engineering Department of Boğaziçi University in 1999 and then completed an MBA at Özyegin University. He worked as a specialist at the Bank between 1999 and 2001. In 2004, he started working as the Assistant Manager of Information Technology Project Management at Aviva. Since September 2004, he served as the Strategy Office Assistant Manager, Data Mining Assistant Manager, Analytic Marketing Vice President and Portfolio Management and Analytics Senior Vice President of the Bank until 2012. Mr. Koraş served as the Bank's Consumer Payment Systems Director from 2012 to 2015. Since May 2015, he has been serving as the Payment Systems Executive Vice President.

Engin Turhan

Mr. Turhan started at the Bank in 2003 as Management Trainee, in MT programme. After being assigned in different departments in the Loans division until 2005, he joined the Project Finance area and worked at expert and managerial levels in Project Monitoring, Project Evaluation, Corporate Finance and Syndications departments. After being assigned as Corporate Banking Structured Finance and Syndication Group Manager in 2012, Derivatives Sales function was also affiliated to him in 2014 and he was appointed as Director. In 2015, Commercial Banking was also affiliated to Mr. Turhan's functions and, since June 2016, he has officiated as Executive Vice President responsible for Commercial Banking and Project Finance. Having graduated from Economics Department in Marmara University Faculty of Economics and Administrative Sciences, Mr. Turhan has also Master's Degree in International Economics Politic and Business Administrative.

Emel Yılmaz Özbay

Ms. Özbay graduated from Law Faculty of Istanbul University in 2000. Being active in business life since 1999, she worked at several private law offices. After working as attorney at Koçbank A.Ş from 2002, she joined the Bank in 2004 and was assigned as the Legal Affairs Domestic and International Agreements Unit Manager and Consultancy Division Manager. She was the Chief Legal Advisor until February 2016. She became the Legal Affairs Executive Vice President as of February 2016.

Heads of Divisions

Ersin Emir - Head of Internal Audit

Mr. Ersin Emir graduated from Middle East Technical University in 1994 with a bachelor's degree in Business; he earned a master's degree in Organisational Psychology from the University of London in 2010. He started his banking career in 1995 as Assistant Auditor in İşbank. Mr. Emir then started working at the Internal Audit Department of the Bank as Auditor in 1998. He was appointed Vice President of Internal Audit in 2004 and assumed responsibilities of the Head Office and Subsidiary Audits in the last two years in this capacity. Mr. Emir was appointed Head of Internal Audit in March 2011.

Ahmet Erzengin - Head of Internal Control and Compliance

After graduating from Middle East Technical University, Department of Public Administration, Mr. Ahmet Erzengin worked at Pamukbank from 1988 to 1993. He joined the Bank in 1993 as Banking Regulations Manager. In 1996, Mr. Erzengin was appointed Head of Operations overseeing the operations of the branches and headquarters. With the establishment of the Head of Operations Center in 2001, he served as Operations Center until 2005. At the beginning of 2006, Mr. Erzengin assisted in the establishment of the Compliance Department and was appointed Head of Compliance. In September 2012, Mr. Erzengin was appointed Head of Internal Control and Compliance.

Zeynep Aydın Demirkıran - Head of Risk Management

Mrs. Zeynep Aydın Demirkıran has a bachelor's degree in Economics from Bilkent University and master's degree in Economics from Georgetown University in Washington DC. She taught at Georgetown University until December 1998. Mrs. Demirkıran then worked as a Specialist within the Risk Management Department of Türkiye İş Bankası between 1999 and 2002. She joined the Bank in 2002 and assumed the responsibilities of Senior Risk Manager and Basel II Programme Coordinator. In September 2011, Mrs. Demirkıran was appointed Head of Risk Management.

Bülent Yurdalan - Head of Internal System

Mr. Bülent Yurdalan graduated from Eskişehir Economic and Commercial Sciences Academy Business Administration Department in 1980. After an employment of 5 years at Citibank-Turkey, Mr. Yurdalan joined the Bank in 1988 and was assigned to top level positions at the Credits, Audit, Treasury Operations and External Relations Departments of the Bank (and held similar positions at some other Fiba Group banks). Mr. Yurdalan was appointed as the Head of Internal Audit Division in 2003 and subsequently served as the Executive Vice President in charge of Retail Credits. In August 2013, he was assigned as the Head of Internal Systems.

Board Committees

As of the date of this Base Prospectus, there are five committees established under the Board of Directors of the Bank. Some information on each such committee is set out below:

Audit Committee. For a description of the Audit Committee, see "– Executive Committees of the Bank – Audit Committee."

Credit Committee. For a description of the Credit Committee, see "– Executive Committees of the Bank – Credit Committee."

Remuneration Committee. The Remuneration Committee defines the remuneration and incentive policies for the Board of Directors and senior management and advises the Board of Directors on such matters in order to ensure the compliance of such policies with the Bank's ethical values, strategy implementation and targets.

Board Risk Committee. For a description of the Board Risk Committee, see "– Executive Committees of the Bank – Board Risk Committee."

Corporate Governance Committee. For a description of the Corporate Governance Committee, see "– Executive Committees of the Bank – Corporate Governance Committee."

Executive Committees of the Bank

As of the date of this Base Prospectus, the Bank has eight executive committees.

Credit Committee. The mission of the Credit Committee is to examine, evaluate and approve the loan limits that fall under the authority of the Board of Directors and the Credit Committee in keeping with the Bank's loan strategies and the relevant legislation, to keep the quality of the Bank's loan portfolio under control and to take part in and manage the release process of loans within the framework of the risk/return relationship. The Credit Committee meets once each week.

Audit Committee. Pursuant to Article 24 of the Banking Law, the Audit Committee was established to monitor, on behalf of the Board of Directors, the effectiveness, functioning and adequacy of the Bank's internal controls and procedures and accounting and reporting systems, in accordance with applicable laws. The Audit Committee monitors the integrity and reliability of information generated from those controls and procedures, makes the necessary preliminary evaluations required for selection of the independent external audit firms and rating, evaluation and outsourcing of organisations by the Board of Directors, regularly monitors the operations of such organisations selected by the Board of Directors with whom contracts are made and ensures that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and coordinated with the internal audit activities of the Bank. The Audit Committee meets on a quarterly basis. The Audit Committee consists of a minimum of two members appointed from among the non-executive members of the Board of Directors.

Board Risk Committee. The BRC determines risk management policies and strategies, reviews risks to which the Bank is exposed, monitors the implementation of risk management strategies and brings important risk issues to the attention of the Board of Directors. The BRC meets once each month. For additional information on the BRC, see "Risk Management – Risk Management Governance – Board Risk Committee."

Corporate Governance Committee. The Bank established a Corporate Governance Committee in 2005 to strengthen the Bank's corporate governance policies and its level of adherence to corporate governance principles and to submit proposals to the Board of Directors. The committee annually issues a report on the consistency with Corporate Governance Principles, which report is submitted to the General Assembly and is made available on the website of the Bank. See also "- Corporate Governance."

Asset / Liability Committee. The ALCO proposes asset and liability management procedures and policies to the Board of Directors which are compatible with applicable laws. The ALCO is responsible for executing the policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice each month, reviews critical risk issues and determines the strategies for asset and liability management.

Corporate Credit Policies Committee. The Corporate Credit Policies Committee is responsible for defining corporate credit policies, continuously monitoring the quality of the Bank's non-retail credit portfolio and granting loans with the objective of maximising the Bank's profitability within a risk-return framework. The Corporate Credit Policies Committee meets once each month.

Retail Credit Policies Committee. The Retail Credit Policies Committee is responsible for defining retail credit policies, continuously controlling the quality of the Bank's retail credits and credit cards portfolios and managing these portfolios with the objective of maximising the Bank's profitability within a risk-return framework. The Retail Credit Policies Committee meets once each month.

Operational Risk Management Committee. The Operational Risk Management Committee defines operational risk policies, reviews operational risk issues and defines the necessary actions to minimise operational risks. The Operational Risk Management Committee meets on a quarterly basis.

Corporate Governance

General

The Bank's corporate governance practices meet the mandatory requirements imposed by the laws of Turkey, the BRSA, the CMB and other applicable regulations, as well as the articles of association of the Bank. The Bank's corporate governance practices are based upon best international practices and form a framework that seeks to ensure consistency and efficiency in the Board's practices and the governance of the Bank and the Group. The Bank's corporate governance practices also seek to ensure strategic direction, management supervision and adequate control of the Bank with the ultimate goal of increasing the long-term value of the Bank and protecting the general corporate interest. For additional information, see "Risk Management – Risk Management Governance."

CMB Corporate Governance Principles

The Communiqué No. II-17.1 on Corporate Governance (as amended, the "*Corporate Governance Communiqué*") provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul. The Bank is also subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB. As of the date of this Base Prospectus, the Bank complies with the mandatory principles under the Corporate Governance Communiqué.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free float shares, subject to recalculation on an annual basis. The Bank is classified as a "Tier II" company.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to monitor compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict these principles.

Compensation

The members of the Board of Directors receive a fee for attending meetings of the Board of Directors. In 2015, 2016 and 2017, this fee amounted to TL 786.7 thousand, TL 928.1 thousand and TL 975.7 thousand, respectively, in the aggregate for all directors. Members of the Board of Directors do not receive any additional compensation for acting as directors; *however*, certain directors are employees of the Bank and receive compensation for such employment.

In 2015, 2016 and 2017, a total of TL 32.3 million, TL 39.4 million and TL 46.4 million, respectively, was paid to the Board members based upon their performance. Loans extended to Board members and managers are limited under Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits. No members of the Board of Directors or any of the Bank's executive officers have any options in respect of the Bank's share capital.

Additionally, the amount of the salary, remuneration and expenses paid and benefits in kind granted to the Bank's senior management (Executive Vice Presidents, Heads of Divisions and Coordinators) in 2015, 2016 and 2017 was TL 30.2 million, TL 35.5 million and TL 48.4 million, respectively.

Conflicts of Interests

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors, Executive Vice Presidents, Heads of Divisions or Coordinators and their respective private interests or other duties.

Auditors

Statutory Auditors. The Turkish Commercial Code (Law No 6102), which entered into force on 1 July 2012, abolished the requirement for joint stock companies to have statutory auditors, which requirement had existed under the former Turkish Commercial Code (Law No. 6762) since 1956. As a result, Turkish joint stock companies were required to amend their articles of association to comply with the new provisions of the Turkish Commercial Code (Law No 6102) by 1 July 2013. At the General Assembly Meeting, dated 28 March 2013, as per the relevant provisions of the Banking Law and the Turkish Commercial Code (Law No 6102), Deloitte was appointed as the Independent Auditor of the Bank until the end of 2013 and, as per Article 399 of the Turkish Commercial Code (Law No 6102), Deloitte was appointed as the "group auditor" until the first ordinary General Assembly Meeting convened in 2014. Ernst & Young was appointed as the "group auditor" for 2014, 2015, 2016 and 2017 in the ordinary General Assembly Meeting in 2014, 2015, 2016 and 2017, respectively.

External Auditors. The BRSA and CMB regulations require the Bank to undergo an external audit on a quarterly basis. Under the BRSA regulations, the external audit firms and external auditors must fulfil certain requirements to be qualified as "independent." A bank may retain the independent audit services of the same external audit firm for a maximum of seven consecutive fiscal years. The same individual auditors are not permitted to carry out audit services for the same bank for more than seven consecutive fiscal years. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. In 2014, the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks established new standards as to principles of internal audit and risk management systems to bring such standards into compliance with Basel II requirements.

The BRSA Financial Statements of the Bank and the Group incorporated into this Base Prospectus have been audited by Ernst & Young, independent auditor, as stated in its report incorporated by reference herein.

Internal Controls

Pursuant to the Banking Law, banks must establish internal control, risk management and internal audit systems, including adequate number of supervisors, which must be in compliance with the scope and structure of their activities, covering all their branches and undertakings subject to consolidation in order to monitor and control the risks that they encounter.

SHARE CAPITAL AND OWNERSHIP

Share Capital

The Bank has adopted the authorised share capital system that, under Turkish law, allows the Bank to increase its issued share capital up to its authorised share capital amount upon resolution by its Board of Directors and without need for further shareholder approval. The authorised share capital of the Bank is TL 12.0 billion, represented by 120.0 billion registered ordinary shares, with a par value of TL 0.10 each. As of 31 December 2017, the issued and paid-in share capital of the Bank was TL 3.4 billion, consisting of 33.5 billion ordinary shares, each having a nominal value of TL 0.10. The total equity of the Group as of 31 December 2017 amounted to TL 12.4 billion. Pursuant to the Banking Law, the Bank's shares are issued in registered form.

Ownership

The following table sets forth certain information with respect to the Bank's principal shareholders as of 31 December 2017.

Name of owner	Number of shares	% of outstanding share capital
Qatar National Bank	33,495,892,000	99.88%
Borsa İstanbul free float	4,108,000	0.12%
Total	**33,500,000,000**	**100.00%**

Qatar National Bank

QNB was established in 1964 as the first Qatari-owned bank. It is 50% owned by the government of Qatar via the Qatar Investment Authority and the remaining shares are traded on the Qatar Exchange. As of 31 December 2017, QNB had total assets of US$222.8 billion, loans and advances of US$160.5 billion, deposits of US$160.8 billion and a market capitalisation of US$32.0 billion. As of 31 December 2017, QNB, together with its subsidiaries and associate companies, operated in more than 30 countries around the world across three continents. QNB is listed on the Qatar Exchange (ticker: "QNBK").

RELATED PARTY TRANSACTIONS

The Bank is controlled by QNB through its ownership of a 99.88% stake in the Bank as of 31 December 2017. Set forth below is a summary of the Bank's material transactions and arrangements with QNB and its other related parties.

Turkish banking regulations limit exposure to related companies, and the Group's exposure to QNB and its subsidiaries and other affiliated/other rated parties is within the limit permitted by the regulations. See "Turkish Regulatory Environment – Lending Limits."

The Group has entered into banking transactions with members of the Board of Directors of the Bank and key management of the Bank and other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is presented under "Management - Board of Directors."

The following table sets forth information for the indicated dates on the Bank's volume of loans and other receivables with the Group's risk group and interest and commission income from the Bank's risk group during the indicated period:

The Bank's Risk Group	**Associates and Subsidiaries**		**Bank's Direct and Indirect Shareholders**		**Other Legal and Real Persons in Risk Group**	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Loans and Other Receivables			*(TL Thousands)*			
Balance at 1 January 2017	-	5,896	1,179	-	1,252	1,586
Balance at 31 December 2017	-	10,384	613	-	146	1,870
Interest and Commission Income for this period	-	112	-	26	73	29

The following sets forth information for the indicated dates on the volume of deposits provided to the Bank by such related parties and the amount of interest paid thereon during the indicated periods:

The Bank's Risk Group	**Associates and Subsidiaries**		**Bank's Direct and Indirect Shareholders**		**Other Legal and Real Persons in Risk Group**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Deposits			*(TL Thousands)*			
Balance at 31 December 2016 (for 31 December 2017) and 1 January 2016 (for 31 December 2016)	15,700	11,345	-	-	179,718	258,905
Balance at 31 December 2017 and 31 December 2016 (as applicable)	470,334	15,700	-	-	170,306	179,718
Interest on Deposits for the year ended[(1)]	61,609	915	-	-	15,903	15,743

Information on forward and option agreements and similar agreements made with the Bank's risk group during the same periods are set out below:

The Bank's Risk Group	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Transactions for Trading Purposes			*(TL Thousands)*			
Balance at 31 December 2016 (for 31 December 2017) and 31 December 2016 (for 31 December 2016)	-	-	-	168,641	-	74,646
Balance at 31 December 2017 and 31 December 2016 (as applicable)	-	-	1,046	-	-	-
Total Income/Loss for the year ended[(1)]	-	-	(19)	-	-	-

THE TURKISH BANKING SECTOR

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Bank's management believes to be reliable but the Bank has not independently verified such information. See "Responsibility Statement."

The Turkish Banking Sector

After a phase of consolidation, liquidations and significant regulatory enhancements in the 2000s, the Turkish banking sector has experienced a period of stability. The total number of banks (including deposit-taking banks, investment banks and development banks) in the sector has held relatively steady with approximately 45 banks consistently since 2008. During this phase, bank combinations have been few and changes to the roster have resulted principally from strategic investors purchasing existing local banks. Foreign investors have, amongst others, included BBVA, BNP Paribas, Sberbank, Citigroup, ING, Bank of China, Intesa Sanpaolo, Bank of Tokyo-Mitsubishi UFJ, Industrial and Commercial Bank of China and, in the most recent large acquisition, QNB's acquisition of the Bank in 2016.

As of 31 December 2017, 47 banks (including domestic and foreign banks but excluding the Central Bank) were operating in Turkey (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Thirty four of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks. Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a CAGR of 18.1% from 31 December 2006 to 31 December 2017, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 21.9% and 16.5%, respectively, during such period, in each case according to the BRSA. Despite strong since 2006, when the country and the banking sector had re-established a strong profile, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 60.0% and 52.0%, respectively, as of 30 September 2017 according to BRSA and Turkstat data, whereas 19 countries in the eurozone's banking sector had average loan and deposit penetration ratios of 98.0% and 108.0%, respectively, as of the same date (the latest date for which such information is available) based upon data from the ECB.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As of (or for the year ended) 31 December				
	2013	**2014**	**2015**	**2016**	**2017**
	(*TL millions, except percentages*)				
Balance sheet					
Loans	939,772	1,118,887	1,339,149	1,558,034	1,869,559
Total assets	1,566,190	1,805,427	2,130,602	2,455,261	2,992,680
Customer deposits	884,457	987,463	1,171,251	1,372,359	1,605,926
Shareholders' equity	165,954	201,117	228,140	262,391	314,934
Income statement					
Net interest income	52,353	59,705	70,409	83,488	103,398
Net fees and commission income	17,444	19,351	21,037	22,761	27,167
Total income	80,396	86,500	97,784	119,410	137,898
Net Profit	22,473	22,936	23,885	34,224	44,632
Key ratios					
Loans to deposits	106.3%	113.3%	114.3%	113.5%	116.4%
Net interest margin	4.4%	4.2%	4.2%	4.5%	4.6%
Return on average shareholders' equity	14.0%	12.5%	11.3%	13.9%	15.4%
Capital adequacy ratio	14.6%	15.7%	15.0%	15.1%	16.5%

Source: BRSA monthly bulletin (www.bddk.org.tr)

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 90.5% of total assets of deposit-taking banks as of 31 December 2017 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks – Ziraat Bank, Halkbank and Vakıfbank, which were ranked first, sixth and seventh, respectively, in terms of total assets as of 31 December 2017 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 36% of deposit-taking Turkish banks' performing loans and 35% of customer deposits as of such date according to the BRSA. The top four privately-owned banks as of such date were Türkiye İş Bankası A.Ş., Garanti, Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş., which in total accounted for 44% of deposit-taking Turkish banks' loans and customer deposits as of such date according to the BRSA. The remaining banks in the top 10 deposit-taking banks in Turkey as of such date include three mid-sized banks, namely the Bank, Denizbank A.Ş. and Türk Ekonomi Bankası, which were controlled by QNB, Sberbank and TEB Holding (a 50/50 joint venture between BNP Paribs and Çolakoğlu Group, respectively, as of such date.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 (which has been replaced by the Banking Law) established the BRSA. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that might jeopardise the rights of depositors and the regular and secure operation of banks and/or might lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including development and investment banks, foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014 (the "*ICAAP Regulation*"), banks are obligated to establish, manage and develop (for themselves and all of their consolidated financial subsidiaries) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. The ICAAP Regulation also requires banks to conduct an "internal capital adequacy assessment process," which is an internal process whereby banks calculate the amount of capital required to cover the risks to which they are or may be exposed on an unconsolidated and consolidated basis and with a forward-looking perspective, taking into account their near- and medium-term business and strategic plans. This process is required to be designed in accordance with the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an ICAAP Report representing the bank's own assessment of its capital and liquidity requirements. An ICAAP Report helps banks in constructing and operating an ICAAP compatible with its risk profile, activity environment and strategic plans. An ICAAP Report for any given year is required to be submitted annually by the end of March of the following year together with the stress test analysis, data, system and process verification research and internal model validation reports. The board of directors of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, determining the exchange rate regime in Turkey jointly with the government and to design and implement this regime), maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

Banks Association of Turkey

The Banks Association of Turkey is an organisation that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of 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. Additionally, the acquisition or transfer of any shares of a legal entity that owns 10% or more of the share capital of a bank is subject to the BRSA's approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. The BRSA's permission might be given on the condition that the person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in which such shares of a bank are transferred without the permission of the BRSA, the voting and other shareholder rights of the legal person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending a general assembly have obtained the applicable authorisations from the 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 start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

(a) Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.

(b) The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

(c) Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

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:

(a) transactions backed by cash, cash-like instruments and accounts and precious metals,

(b) transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatisation Administration and the Housing Development Administration of Turkey as well as transactions carried out against bills, bonds and other securities issued by or payment of which is guaranteed by these institutions,

(c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,

(d) in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,

(e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow,

(f) transactions carried out among banks on the basis set out by the BRSA,

(g) equity participations acquired through underwriting commitments in public offerings; *provided* that such participations are disposed of in a manner and at a time determined by the BRSA,

(h) transactions that are taken into account as deductibles in calculation of own funds, and

(i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against depreciation or impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans under review, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA (principally through the provisions of the Classification of Loans and Provisions Regulation, which entered into force as of 1 January 2018 and replaced the former regulation). Note that as the loan classification and provisioning rules changed effective as of 1 January 2018 following the entry into force of TFRS 9, group classification and provisions levels for periods before and after 1 January 2018 will not be directly comparable.

Current Rules

Pursuant to the Classification of Loans and Provisions Regulation, banks are required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature:* This group involves each loan (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables; and shall be understood as such elsewhere in this Base Prospectus):

(i) that has been disbursed to financially creditworthy natural persons and legal entities,

(ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

(iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any security,

(iv) for which no weakening of the creditworthiness of the applicable debtor has been found, and

(v) to which 12 month expected credit loss reserve applies under TFRS 9.

(b) *Group II: Loans Under Close Monitoring:* This group involves each loan:

(i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor,

(ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan,

(iii) in connection with which problems are likely to occur as to principal and interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any security,

(iv) although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of such weakening due to the debtor's irregular and unmanageable cash flow,

(v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing,

(vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9,

(vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount,

(viii) that has been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL, or

(ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

(c) *Group III: Loans with Limited Recovery*: This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened,

(ii) that demonstrates limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the security or the debtor's resources to meet the collection of the full amount on the due date without any recourse to the security, and that would likely result in losses in case such problems are not resolved,

(iii) collection of the principal and/or interest of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date,

(iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor, or

(v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.

(d) *Group IV: Loans with Improbable Recovery*: This group involves each loan:

(i) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any security,

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's credit standing or the possibility of the credit being collected,

(iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date), or

(iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.

(e) *Group V: Loans Considered as Losses:* This group involves each loan:

(i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected,

(ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year, or

(iii) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, the following loans are classified as NPLs: (a) loans that are classified under Groups III, IV and V, (b) loans the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) loans to which, as a result of debtor's default, the lifetime expected credit loss reserve applies under TFRS 9. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; *however*, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. As per the BRSA regulation published in the Official Gazette dated 27 March 2018 and numbered 30373, banks may not classify any receivable up to TL 100 as an NPL.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view to whether such loans are to be reclassified under different groups, which evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments in macroeconomic circumstances or the sector in which the respective debtor operates that pose risk on such debtor's performance of its obligations. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans that have been fully or partially excluded from the assets of the banks, security for which has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists.

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelve-months expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the Classification of Loans and Provisions Regulation. In this respect, such banks shall set aside general provisions for at least 1.5% and 3.0% of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2015 Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government and the Central Bank and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not to be considered in such calculation. As to special provisions, banks are required to comply with provision rules for NPLs under Groups III, IV and V of at least 20%, 50%, and 100%, respectively.

For both general provisions and special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements for certain banks or loans taking into account the concentration, from time to time, of matters such as the size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, collateral and the credit risk level and management.

Previous Rules

For periods before 1 January 2018, the previous Regulation on Provisions and Classification of Loans and Receivables provided that banks were required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature and Other Receivables*: This group involved loans and other receivables:

(i) that had been disbursed to financially creditworthy natural persons and legal entities,

(ii) the principal and interest payments of which had been structured according to the solvency and cash flow of the debtor,

(iii) the reimbursement of which had been made within specified periods, for which no reimbursement problems were expected in the future and that could be fully collected, and

(iv) for which no weakening of the creditworthiness of the applicable debtor had been found.

The terms of a bank's loans and receivables monitored in this group could be modified if such loans and receivables continued to have the conditions envisaged for this group.

(b) *Group II: Loans and Other Receivables Under Close Monitoring*: This group involved loans and other receivables:

(i) that had been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there was no problem at present, but that needed 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 were not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might have resulted in partial or full non-reimbursement risk,

(iii) that were very likely to be repaid but collection of principal and interest payments had been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below, or

(iv) although the credit standing of the debtor had not weakened, there was a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer had multiple loans and any of these loans was classified in Group II and others were classified in Group I, then all of such customer's loans were required to be classified in Group II. The terms of a bank's loans and receivables monitored in this group could be modified if such loans and receivables continued to have the conditions envisaged for this group.

(c) *Group III: Loans and Other Receivables with Limited Recovery*: This group involved loans and other receivables:

(i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed were not eliminated, they were likely to cause loss,

(ii) the credit standing of whose debtor had weakened and where the loan was deemed to have weakened,

(iii) collection of whose principal and interest or both had 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 was of the opinion that collection by the bank of the principal or interest of the loan or both would 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) *Group IV: Loans and Other Receivables with Improbable Recovery*: This group involved loans and other receivables:

(i) that seemed unlikely to be repaid or liquidated under existing conditions,

(ii) in connection with which there was a strong likelihood that the bank would not be able to collect the full loan amount that had become due or payable under the terms stated in the loan agreement,

(iii) whose debtor's creditworthiness was deemed to have significantly weakened but which were 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 was a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

(e) *Group V: Loans and Other Receivables Considered as Losses*: This group involved loans and other receivables:

(i) that were deemed to be uncollectible,

(ii) collection of whose principal or interest or both had been delayed by one year or more from the due date, or

(iii) for which, although sharing the characteristics stated in Groups III and IV, the bank was of the opinion that they had become weakened and that the debtor had lost creditworthiness due to the strong possibility that it would not be possible to fully collect the amounts that had become due and payable within a period of over one year.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks were required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also required Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio *plus* 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general reserve was calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general reserve was calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve was calculated at 0% for standard loans defined in Group I and a general reserve calculated at 2.0% of the total cash loan portfolio plus 0.4% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve was calculated at 1.0% and (ii) non-cash loans related to the items stated in clause (i) for which the general loan loss reserve was calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above were applied to the respective loans defined in Group I and Group II until 31 December 2017. For payment obligations arising from the relevant law in relation to each check slip that was delivered by a bank at least five years previously, 25% of the non-cash rates referred to above were applied.

On 14 December 2016, the BRSA published amendments to the previous rules, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 stated that (among other things) the loans and other receivables classified as frozen receivables by the banks could be restructured up to two times until 31 December 2017. Such restructured loans could be classified under

Group II (*Loans and Other Receivables Under Close Monitoring*) if: (a) in the first restructuring, there was no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in the second restructuring, there was no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification had been made in a timely manner and in full. Banks must continue to reserve the required provisions for the groups they are classified in during such restructuring period. Loans and other receivables classified under Group II (*Loans and Other Receivables Under Close Monitoring*) after the restructuring were monitored under the "Renewed/Restructured Loans Account." Information regarding renewed/restructured loans and other receivables was required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional article 13 (which entered into force retroactively as of 21 July 2016) stated (among other things) that the delay periods of payments stipulated for the loans defined in Groups II (*Loans and Other Receivables Under Close Monitoring*), Group III (*Loans and Other Receivables with Limited Recovery*), Group IV (*Loans and Other Receivables with Improbable Recovery*) and Group V (*Loans and Other Receivables Considered as Losses*) could be counted as of 21 January 2017 for: (i) the obligations of the credit debtors that had been liquidated, assigned to the Directorate General of Foundations or the Treasury or to which the SDIF was assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016, (ii) public officials who had been discharged from their positions within the scope of the state of emergency and (iii) real persons and legal entities the assets of which were subject to injunctions within the scope of the state of emergency.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank was higher than ten times its equity calculated pursuant to banking regulations, a 0.3% general provision ratio was required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA could apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks were also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the Regulation on Loan Transactions of Banks (published in the Official Gazette No. 26333 dated 1 November 2006) (the "*Regulation on Loan Transactions of Banks*") by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions were required to be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 25% of the specific provisions set forth in the preceding sentence was required to be set aside for each check slip of customers who had loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; *however*, if a bank set aside specific provisions at a rate of 100% for non-performing loans, then it did not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter had been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, were defined as "frozen receivables." If several loans had been extended to a borrower by the same bank and if any of these loans was considered a frozen receivable, then all outstanding risks of such borrower were classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable; *however*, for certain consumer loans, even if any of these loans was considered to be a frozen receivable, other consumer loans granted to the borrower could be classified in the applicable group other than Group I. Banks also may classify any receivable up to TL 100,000 as NPLs.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA was entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower was deducted from such borrower's loans and receivables in Groups III, IV and V in the following proportions in order to determine the amount of the required reserves:

Category	Discount Rate
Category I collateral	100%
Category II collateral	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeded the amount of the NPL, the above-mentioned rates of consideration were applied only to the portion of the collateral that was equal to the amount of the NPL.

In the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity of such borrower, a bank was allowed to refinance such borrower with additional funding for strengthening the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables were required to be monitored in their current loan groups (whether Group III, IV or V) for at least a six month period and, within such period, the bank was required to continue setting aside provisions at the special provision rates applicable to the group in which they were included. After the lapse of such six-month period, if total collections reached at least 15% of the total receivable for restructured loans for such borrower, then the remaining receivables from such borrower were reclassified under the "Renewed/Restructured Loans Account." A bank could refinance such a borrower for a second time if the borrower failed to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables were collected on a yearly basis.

In addition to the general provisioning rules, the BRSA from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

During 2016 and 2017, the Bank conducted an extensive project to implement TFRS 9. This project resulted in the identification of the processes necessary to implement the corresponding accounting policies and standards and enabled the Bank to make necessary preparations for the presentation of financial statements. Based upon the assessments made through the date of this Base Prospectus, the Bank's management does not anticipate a significant impact on total equity as a result of the impairment calculation-based expected credit loss model implemented in accordance with TFRS 9. On 14 March 2018, amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation were published in the Official Gazette, which amendments allow banks to amortise any TFRS 9 transition effects over five years starting as of 1 January 2018 and would thus mitigate any impacts of these changes.

Capital Adequacy

Article 45 of the Banking Law defines "capital adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise 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 titled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee in December 2010 and revised in June 2011 (*i.e.*, Basel III) into Turkish law, the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette No. 28756 dated 5 September 2013 and entered into force on 1 January 2014. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier 1 capital), which is composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e.*, additional Tier 1 capital) and (b) supplementary capital (*i.e.*, Tier 2 capital) *minus* capital deductions. Pursuant to the 2015 Capital Adequacy Regulation: (i)

both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratio are 6.0%.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016) in accordance with the Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, included revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 in replacement of the 2012 Capital Adequacy Regulation. The 2015 Capital Adequacy Regulation sustained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items, including: (a) the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchanged-denominated required reserves held with the Central Bank to be subject to a 0% risk weight, and (b) the exclusion of the general provisions for possible losses from capital calculations. Starting from 1 January 2018, free provisions are no longer possible due to the implementation of TFRS 9 and financial statements for periods from this date thus will no longer include either new or previously enacted free provisions.

The 2015 Capital Adequacy Regulation also lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35%, (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the 2015 Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not re-classified as "non-performing loans," and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%. As of 7 February 2017, the BRSA published a decision that enables banks to use 0% risk weightings for Turkish Lira-denominated exposures guaranteed by the KGF and supported by the Undersecretariat of Treasury. On 23 January 2017, the BRSA amended the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75% risk weight, from TL 3,725,000 to TL 4,200,000.

On 11 July 2017, subclause b of the 9th clause of the Equity Regulation was repealed. In this context, the excess amount mentioned in Article 57 of the Banking Law (i.e., "the total book value of the real property owned by a bank cannot exceed 50% of its capital base"), and the commodity goods and properties that banks acquire due to their receivables (*e.g.*, foreclosed-upon collateral) but have not disposed within three years, are no longer deducted from a bank's capital base.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 1.250% for 2017, 1.875% for 2018 and 2.500% for 2019. The BRSA has published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks (which entered into force on 1 January 2014 with the exception of certain provisions that entered into effect on 1 January 2015), seeking to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach).

In February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology uses an indicator-based approach to identify and classify D-SIBs in Turkey under four different categories: size, interconnectedness, lack of substitutability and complexity. Initially, a score for each bank is to be calculated based upon

their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. As of 1 January 2019, these buffers are to be applied as 3% for Group 4 banks, 2% for Group 3 banks, 1.5% for Group 2 banks and 1% for Group 1 banks. As of the date of this Base Prospectus, the Bank is not classified as a D-SIB under the D-SIBs Regulation.

Furthermore, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of consolidated and unconsolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40%, respectively, and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks. On 15 August 2017, the BRSA revised from 50% to 100% the ratio of required reserves held with the Central Bank that can be included in liquidity calculations. 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.

Pursuant to the Equity Regulation, if a Turkish bank invests in debt instruments of other banks or financial institutions that are already invested in that Turkish bank's additional Tier 1 or Tier 2 capital, then the amount of such debt instrument (and their issuance premia) are required to be deducted when calculating that Turkish bank's additional Tier 1 or Tier 2 capital (as applicable).

See also a discussion of the implementation of Basel III in "-Basel Committee - Basel III" below.

Tier 2 Rules

According to the Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "*Tier 2 Conditions*"):

(a) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash,

(b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors,

(c) the debt instrument shall not be related to any derivative operation or contract, nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly, in a manner that violates the condition stated in clause (b),

(d) 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,

(e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:

(i) the bank should not create any market expectation that the option will be exercised by the bank,

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations, or

(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer, (B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank's operating licence would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the losses incurred by the bank, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides,

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above, and

(k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described in clause (e).

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates, are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the Tier 2 Conditions (except for the condition stated in clause (a) above) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that 1.25% of the risk-weighted sum of the receivables in calculating the credit risk exposure by using the standardised

approach is taken into consideration; *however*, the portion of surplus of this amount that exceeds general provisions is not taken into consideration in calculating the Tier 2 capital.

Furthermore, in addition to the Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier 2 capital are required to be accompanied by the original copy or a notarised copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five İstanbul business days following the signing date of such agreement). The Equity Regulation provides that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier 2 capital qualifications is required to be submitted to the BRSA within five İstanbul business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as 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 2 capital calculations, and that have less than five years to maturity, shall be included in Tier 2 capital calculations after being reduced by 20% each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as of the date of this Base Prospectus) results in a 100% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey revised this general rule by providing that Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. See "Basel III" below for the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 1 January 2015. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA's permission.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and published initially the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, each entering into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. These changes: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and unconsolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new Tier 2 rules and

determined new criteria for debt instruments to be included in the Tier 2 capital. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves were increased from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, some of which amendments entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "Capital Adequacy" above.

The BIS reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements (the "*Communiqué Regarding Reserve Requirements*"), the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (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 precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities,

(b) its total non-cash loans and obligations,

(c) its revocable commitments *multiplied by* 0.1,

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
From the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60% and 40%, respectively, and (in the absence of any new arrangement) such ratios shall be (and have been) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette No. 26333 dated 1 November 2006, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's board of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and No. 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (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 ICAAP Regulation established standards as to principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the ICAAP Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among other things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the ICAAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The Savings Deposit Insurance Fund (SDIF)

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*. Pursuant to Article 63 of the Banking Law, savings deposits (except for commercial deposits) held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Undesecretariat of Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Borrowings of the SDIF*. The SDIF: (i) may incur indebtedness with authorisation from the Undersecretariat of Treasury or (ii) the Undersecretariat of Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Undesecretariat of Treasury, are to be determined together by the Undesecretariat of Treasury and the SDIF.

(c) *Power to require Advances from Banks*. Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*. If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*. Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*. Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*. In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*. In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette No. 26119 dated 25 March 2006, and as amended from time to time, are as follows:

(a) ensuring the enforcement of the SDIF board's decisions,

(b) establishing the human resources policies of the SDIF,

(c) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(d) insuring the savings deposits and participation accounts in the credit institutions,

(e) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Undersecretariat of Treasury, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(f) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose banking licence has been revoked by the BRSA,

(g) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except to dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,

(h) taking management and control of the banks whose banking licence has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,

(i) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,

(j) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and

(k) fulfilling the other duties that the Banking Law and other related legislation assign to it.

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 that the BRSA in its sole discretion determines that:

(a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,

(b) the bank is not complying with liquidity requirements,

(c) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,

(d) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,

(e) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,

(f) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,

(g) such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or

(h) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

(i) to increase its equity capital,

(ii) not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

(iii) to increase its loan provisions,

(iv) to stop extension of loans to its shareholders,

(v) to dispose of its assets in order to strengthen its liquidity,

(vi) to limit or stop its new investments,

(vii) to limit its salary and other payments,

(viii) to cease its long-term investments,

(ix) to comply with the relevant banking legislation,

(x) to cease its risky transactions by re-evaluating its credit policy,

(xi) to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA, and/or

(xii) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank to:

(a) strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,

(b) dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,

(c) decrease its operational and management costs,

(d) postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees,

(e) limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors,

(f) convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above,

(g) implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing, and/or

(h) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank to:

(a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period,

(b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,

(c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,

(d) make available long-term loans; *provided* that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders,

(e) limit or cease its non-performing operations and to dispose of its non-performing assets,

(f) merge with one or more other interested bank(s),

(g) provide new shareholders in order to increase its equity capital,

(h) deduct any resulting losses from its own funds, and/or

(i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; *provided* that any loss is deducted from the share capital of current shareholders.

In the event that the 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. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette No. 26333 dated 1 November 2006, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments (which entered into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (*i.e.*, additional Tier 1 capital) and supplementary capital (*i.e.*, Tier 2 capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to their internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

As of the date of this Base Prospectus, the Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also required to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders and other stakeholders, (b) public disclosure and transparency and (c) boards of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) 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(e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute at least one-third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint at least three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee, in which case the above-mentioned qualifications for independent members are not applicable; *provided* that when all independent board members are selected from the audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in 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 "1st Group" and "2nd Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, 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 upon 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; *however*, banks are exempt from this requirement for the audit committee, early detection of risk committee and remuneration committee. The Bank is classified as a "2nd Group" company.

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 material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to monitor compliance with the new principles, which

include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

In addition to the provisions of the Corporate Governance Communiqué related to the remuneration policy of banks, the BRSA published a guideline on good pricing practices in banks, which entered into force on 31 March 2016. This guideline sets out the general principles for employee remuneration as well as standards for remuneration to be made to the board of directors and senior management of banks.

As of the date of this Base Prospectus, the Bank is in compliance with the mandatory principles under the Corporate Governance Communiqué, as well as with applicable requirements for having independent directors.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such laws include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card and (d) increase the minimum monthly payment required to be made by cardholders. On 6 September 2016, the BRSA increased the credit limit from TL 1,000 to TL 1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30%, 35% and 40% for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40% for newly-issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75% irrespective of their tenor, which was in a range of 100% to 250% depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or purchases of goods and services, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on the length of the periods of instalment payments on credit cards. Pursuant to such limitations, the instalment payment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewellery expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article of the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No: 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In November 2016, the Central Bank published the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions, replacing the existing communiqué as of 1 January 2017. Under this communiqué, the Central Bank determined revised maximum contractual and default interest rates for Turkish Lira and foreign currency credit card transactions. The new monthly maximum contractual interest rates are (as of the date of this Base Prospectus) 1.84% and 1.47% for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as of the date of this Base Prospectus) 2.34% and 1.97% for credit card transactions in Turkish Lira and foreign currency, respectively. The Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, financial lease transactions for housing and for loans (except auto loans) secured by houses is 80% (which was 75% before such amendments). In addition, for auto loans extended to consumers, for loans secured by autos and for autos leased under financial lease transactions, the loan-to-value requirement is set at 70%; *provided* that, in each case, the sale price of the respective auto is not higher than TL 100,000; *however*, if the sale price of the respective auto is above this TL 100,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%. As for limitations regarding instalments, the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and for student loans and any refinancing of the same) are not permitted to exceed 48 months.

Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans (which include loans provided for durable and semi-durable consumer goods, weddings, education and health) utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of the restructuring).

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. The charge of any other fees and commissions by Turkish banks is subject to the BRSA's approval.

On 25 January 2018, amendments to Decree 32 and the communiqué regarding Decree 32 were published in the Official Gazette. These amendments (entering into force on 2 May 2018) provide that: (a)(i) Turkish individuals cannot utilise foreign currency loans and (ii) Turkish individuals and Turkish legal entities cannot utilise foreign currency-indexed

loans, (b) Turkish legal entities with no foreign currency earnings cannot utilise foreign currency loans from Turkey or abroad except for certain exceptions set forth in Decree 32 (as amended), which exceptions include: (i) Turkish legal entities that have an outstanding foreign currency loan balance of US$15 million or more at the time of the utilisation and (ii) financial leasing companies, factoring companies and financing companies located in Turkey, banks and governmental institutions, (c) Turkish legal entities with foreign currency earnings in Turkey are allowed to utilise foreign currency loans from Turkey or abroad; *provided* that if the outstanding foreign currency loan balance of such entity is under US$15 million at the time of the utilisation, then the sum of the loan amount to be utilised and the existing outstanding foreign currency loan exposure cannot exceed the sum of such entity's foreign currency income for the last three financial years, and (d) Turkish legal entities with an outstanding cash loan balance of less than US$15 million are not allowed to refinance their foreign currency loans if they do not qualify for the exceptions set forth in Decree 32 (as amended). These amendments were enacted in order to try to reduce Turkish inflation and the volatility of the Turkish Lira. As there were already restrictions on foreign currency lending to individuals and as these new restrictions on lending to legal entities include various exceptions that will apply to most of the Bank's foreign currency lending in Turkey, the Bank's management does not believe that these changes will have a material impact on its business or results of operations; *however*, no assurance can be given that further restrictions on foreign currency lending will not be implemented or that the existing restrictions or any further such restrictions will not have an impact on market liquidity based upon potential increase in borrowers' demands for Turkish Lira-denominated borrowing and lenders' needs for Turkish Lira-denominated funding.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank's management believes to be reliable, but neither the Bank nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

As of the date of this Base Prospectus, the Issuer is required to notify Central Registry İstanbul within three İstanbul business days from the applicable Issue Date of a Tranche of Notes of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*" and, together with Direct Participants, "*Participants*").

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

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

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the DTC Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, subject to the receipt of funds and corresponding detail information from the Issuer or the relevant Paying Agent. Payments by Participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the DTC Beneficial Owners is the responsibility of Participants.

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

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

The laws in some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer an interest in Notes represented by a Registered Global Note to such persons might depend upon the ability to exchange such interest for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such interest to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such interest for Notes in definitive form. The ability of any holder of an interest in Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such interests might be impaired if the proposed transferee of such interests is not eligible to hold such interests through a Participant.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of a number of currencies, including U.S. dollars and Turkish Lira. Clearstream, Luxembourg provides to

its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a direct participant in Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, might be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons might be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg participants.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its direct participants. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, might be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons might be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Notes

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Note(s) accepted in its book-entry settlement system. Upon the issue of any such Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by such Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Interests in such a Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg participants) and the records of direct or indirect Euroclear and/or Clearstream, Luxembourg participants (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg participants).

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by

such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants and Indirect Participants, including, in the case of any Regulation S Registered Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants and Indirect Participants (with respect to interests of Indirect Participants).

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

Subject to the preceding paragraph, payments of principal and interest in respect of a Global Note will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Note. The Issuer expects DTC, Clearstream, Luxembourg and Euroclear to credit accounts of their respective direct accountholders on the applicable payment date. The Issuer also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such Clearing Systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such Clearing System, and will be the responsibility of such direct participant and not the responsibility of such Clearing System, the Fiscal Agent, any Paying Agent, the Registrar or the Bank. Payments of principal and interest on the Notes to a Clearing System (or its nominee) are the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear or Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Subject to compliance with the transfer restrictions applicable to the Registered Notes described in "Transfer and Selling Restrictions," cross-market transfers between Participants in DTC, on the one hand, and directly and indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Tranche, transfers of Notes of such Tranche between participants in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Tranche between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

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

Each Clearing System has published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants of the Clearing Systems; *however*, they are under no obligation to perform or continue to perform such procedures, and such procedures might be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by the Clearing Systems or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial

interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of such laws, or the laws of other jurisdictions (such as tax-related laws in the United Kingdom or the United States). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective investors in the Notes are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction of their respective citizenship, residence or domicile.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Notes by a person who is a non-resident of Turkey. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to persons who are not tax resident in Turkey.

The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law might not be treated as a resident of Turkey depending upon 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 derived from trading income 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 such 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 a Turkish corporation is subject to withholding tax, which tax would be paid by the Bank in Turkey. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

(a) 10% withholding tax for notes with an original maturity of less than one year,

(b) 7% withholding tax for notes with an original maturity of at least one year and less than three years,

(c) 3% withholding tax for notes with an original maturity of at least three years and less than five years, and

(d) 0% withholding tax for notes with an original maturity of five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; *however*, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporation 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, interest payments on notes issued abroad by a Turkish corporation to a non-resident holder will be subject to a withholding tax at a rate between 10% and 0% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the notes is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country in which the investor is an income tax resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

FATCA

Pursuant to FATCA, a "foreign financial institution" (as defined by FATCA) (a "*Foreign Financial Institution*") may be required to withhold on certain payments it makes ("*Foreign Passthru Payments*") to persons who fail to meet certain certification, reporting or related requirements. The Issuer is a Foreign Financial Institution for these purposes. A number of jurisdictions (including Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("*IGAs*"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as in effect as of the date of this Base Prospectus, a Foreign Financial Institution in an IGA jurisdiction would generally not be required to withhold under FATCA or such IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or that are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining Foreign

Passthru Payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date; *however*, if additional Notes (see Condition 17) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents might treat all Notes, including Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules might apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of such withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a Directive for a common financial transaction tax ("*FTT*") that might apply in certain member states of the EU (the "*Participating Member States*"); *however*, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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 the 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 might 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 that is subject to the dealings is issued in a Participating Member State; *however*, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear as of the date of this Base Prospectus. Participating Member States might decide to withdraw and additional member states of the EU might decide to participate. Prospective investors in the Notes are advised to seek their own professional advice in relation to the FTT and its potential impact on the Notes.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes (or beneficial interests therein) may be acquired with assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA), that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code and any entity deemed to hold "plan assets" of the foregoing (each, a "*Benefit Plan Investor*"), as well as by governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (collectively, with Benefit Plan Investors, referred to as "*Plans*"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are governmental plans, certain church plans and non-U.S. plans are not subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such Plans might be subject to similar restrictions under applicable state, local, other federal or non-U.S. law ("*Similar Law*").

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank, the Arranger, a Dealer, an Agent or any of their respective affiliates (the "*Transaction Parties*") is or becomes a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition or holding of an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest or disqualified person to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and persons who are parties in interest or disqualified persons solely by reason of providing services to the Benefit Plan Investor or being affiliated with such service providers; Prohibited Transaction Class Exemption ("*PTCE*") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any such exemption.

The Transaction Parties may receive fees or other compensation or have other financial interests as a result of a Plan's acquisition of the Notes (or a beneficial interest therein). Accordingly, none of the Transaction Parties are undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the Notes (or a beneficial interest therein) by any Plan.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Note (or a beneficial interest therein) will not be, acquiring or holding a Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

In addition, each purchaser and transferee of a Note (or a beneficial interest therein) that is a Benefit Plan Investor and any fiduciary purchasing a Note (or a beneficial interest therein) on behalf of a Benefit Plan Investor (the "*Plan Fiduciary*") is deemed to represent and warrant to the Transactions Parties by its acquisition of a Note (or a beneficial interest therein) that the decision to acquire such Note (or a beneficial interest therein) has been made by the Plan Fiduciary, and that the Plan Fiduciary is an "independent fiduciary with financial expertise" as described in 29 C.F.R. Sec. 2510.3-21(c)(1). Specifically, this requires the Benefit Plan Investor and the Plan Fiduciary to represent and warrant that:

(a) the Plan Fiduciary is independent of the Transaction Parties and the Plan Fiduciary either:

(i) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "*Advisers Act*") or a similar institution that is regulated and supervised and subject to periodic examination by a U.S. state or U.S. federal agency,

(ii) is an insurance carrier that is qualified under the laws of more than one U.S. state to perform the services of managing, acquiring or disposing of assets of an "employee benefit plan" described in Section 3(3) of ERISA or any "plan" described in Section 4975(e)(1)(A) of the Code,

(iii) is an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business,

(iv) is a broker-dealer registered under the Exchange Act, or

(v) holds, or has under its management or control, total assets of at least US$50 million (provided that this clause (v) shall not be satisfied if the Plan Fiduciary is either: (A) an individual directing his or her own individual retirement account or a relative of such individual or (B) a participant or beneficiary of such Benefit Plan Investor purchasing the Notes (or a beneficial interest therein) or a relative of such participant or beneficiary),

(b) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Benefit Plan Investor of the Notes (or a beneficial interest therein),

(c) the Plan Fiduciary is a "fiduciary" with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code or both, and is responsible for exercising independent judgment in evaluating the Benefit Plan Investor's acquisition of the Notes (or a beneficial interest therein),

(d) none of the Transaction Parties' has exercised any authority to cause the Benefit Plan Investor to invest in the Notes or to negotiate the terms of the Benefit Plan Investor's investment in the Notes,

(e) the Plan Fiduciary has been informed by the Transaction Parties:

(i) that none of the Transaction Parties are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Benefit Plan Investor's acquisition of the Notes (or a beneficial interest therein), and

(ii) of the existence and nature of the Transaction Parties' financial interests in the Benefit Plan Investor's acquisition of the Notes (or a beneficial interest therein), as described in this Base Prospectus.

The above representations relating to the Plan Fiduciary are intended to comply with the Department of Labor's regulation, Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on 8 April 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, then these representations shall be deemed to be no longer in effect.

Prospective investors in the Notes are advised to consult their advisers with respect to the matters discussed above and other applicable legal requirements.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 26 April 2018 (as further amended, restated or supplemented from time to time, the "*Programme Agreement*"), agreed (or, when acceding thereto, will agree) with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. 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, this update and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain losses, claims, costs, expenses, damages, demands or liabilities incurred by them in connection therewith.

In connection with any offering of Notes, one or more Dealer(s) might purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions might include overallotment, syndicate covering transactions and stabilisation transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Dealer(s) in an offering, which creates a short position for the applicable Dealer(s). Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilisation transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of an investment in the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities might have the effect of preventing or retarding a decline in the market price of an investment in the Notes (or beneficial interests therein). They might also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The applicable Dealer(s) might conduct these transactions in the over-the-counter market or otherwise. If a Dealer commences any of these transactions, it might discontinue them at any time. Under English law, stabilisation activities may only be carried on by the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Investors in the Notes who wish to trade interests in Notes on their trade date or otherwise before the applicable Issue Date should consult their own adviser.

All or certain of the Dealers, the Arranger and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers, the Arranger or their respective affiliates might have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers, the Arranger or their respective affiliates might, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Dealers, the Arranger and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Dealers, the Arranger and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and might at any time hold long and short positions in such securities and instruments. Such investment and securities activities might involve securities and instruments of the Bank and/or other members of the Group. In addition, certain of the Dealers, the Arranger and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities might have an adverse effect on the future trading prices of an investment in the Notes.

The Dealers, the Arranger and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

TRANSFER AND SELLING RESTRICTIONS

Transfer Restrictions

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

Pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that (for each of clauses (a) and (b)) such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

The Bank has not registered the Notes under the Securities Act or under the securities laws of any state or other jurisdiction of the United States and, therefore, the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with all applicable securities laws of any State of the United States and any other jurisdiction. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in compliance with Rule 144A under the Securities Act, (b) to Institutional Accredited Investors who have delivered an IAI Investment Letter and (c) to persons who are not U.S. persons in offshore transactions in compliance with Regulation S.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form (or *vice versa*) will be required to acknowledge, represent, warrant and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption from the registration requirements thereof or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.

(b) Such investor is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank's behalf, and such investor is either: (i) a QIB and is aware that any sale of Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB, (ii) an Institutional Accredited Investor that has delivered an IAI Investment Letter or (iii) not a U.S. person or purchasing for the account or benefit of a U.S. person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S.

(c) Such investor acknowledges that none of the Bank or the Dealers, or any person representing the Bank or the Dealers, has made any representation to it with respect to the Bank or the offer or sale of any of the Notes, other than the information contained in this Base Prospectus or any applicable supplements hereto, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to

the Notes. Such investor acknowledges that the Dealers make no representation or warranty as to the accuracy or completeness of this Base Prospectus. Such investor has had access to such financial and other information concerning the Bank and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Bank and the Dealers.

(d) Such investor is investing in the Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other law.

(e) With respect to the Rule 144A Global Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Rule 144A Global Note (or a beneficial interest therein), and each subsequent investor in a Rule 144A Global Note by its acceptance thereof (or of a beneficial interest therein) will agree (or will be deemed to agree), to offer, sell, assign, transfer, pledge, encumber or otherwise dispose such Notes (or beneficial interests therein) prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the applicable Issue Date and the last date on which the Bank or any affiliate of the Bank was the owner of such Rule 144A Global Note (or any predecessor thereto), or (ii) such later date, if any, as may be required by applicable law (the "*Resale Restriction Termination Date*"), only: (A) to the Bank, (B) pursuant to a registration statement that has been declared effective under the Securities Act, (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A, (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, and, in each case, in compliance with the relevant securities laws of any applicable jurisdiction. The foregoing restrictions on resale will not apply after the applicable Resale Restriction Termination Date; *however*, any resale of the Notes thereafter will continue to need to comply with all applicable laws. Such investor acknowledges that the Bank reserves the right prior to any offer, sale or other transfer of a Rule 144A Global Note pursuant to clause (D) or (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

(f) With respect to the Regulation S Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Regulation S Note, that no offer, sale, assignment, transfer, pledge, encumbrance or other disposal made during the applicable Distribution Compliance Period (*i.e.*, prior to the expiration of of the date that is 40 days after the Issue Date of the applicable Regulation S Notes) shall be made to (or for the account or benefit of) a U.S. person (other than a distributor).

"*Distribution Compliance Period*" means, with respect to a Tranche of Notes sold (or a portion of which was sold) in its initial distribution in reliance upon Regulation S, the period that ends upon the expiration of a 40-day period after the completion of the distribution of such Tranche of Notes (where sold via one or more Dealer(s), as certified to the Issuer by such Dealer(s)).

(g) The Rule 144A Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

> "THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS NOTE OR A BENEFICIAL INTEREST HEREIN, EACH HOLDER OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED

INSTITUTIONAL BUYER(S), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iii) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (iv) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS NOTE.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING ITS INVESTMENT HEREIN WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING (THOSE INCLUDED IN CLAUSES (i), (ii) AND (iii) COLLECTIVELY REFERRED TO AS "*BENEFIT PLAN INVESTORS*") OR (iv) A PLAN OR OTHER ENTITY THAT IS SUBJECT TO ANY STATE, LOCAL, FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b)(i) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW AND (ii) IF IT IS A BENEFIT PLAN INVESTOR, THEN AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED IN 2016, IS APPLICABLE: (A) THE DECISION TO ACQUIRE THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) HAS BEEN MADE BY A FIDUCIARY THAT IS AN "INDEPENDENT FIDUCIARY WITH FINANCIAL EXPERTISE" AS DESCRIBED IN 29 C.F.R. 2510.3-21(c)(1) (THE "*INDEPENDENT FIDUCIARY*"), (B) THE INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, (C) THE INDEPENDENT FIDUCIARY IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) AND (D) NEITHER THE BENEFIT PLAN INVESTOR NOR THE INDEPENDENT FIDUCIARY IS PAYING OR HAS PAID ANY FEE OR OTHER COMPENSATION TO ANY OF THE BANK, AN ARRANGER, A DEALER OR AN AGENT FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH ITS ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN). IN ADDITION, EACH SUCH PURCHASER OR TRANSFEREE WILL BE REQUIRED OR DEEMED TO ACKNOWLEDGE AND AGREE THAT THE INDEPENDENT FIDUCIARY: (1) HAS BEEN INFORMED THAT NONE OF THE BANK, AN

ARRANGER, A DEALER, AN AGENT OR OTHER PERSONS WHO PROVIDE MARKETING SERVICES, NOR ANY OF THEIR RESPECTIVE AFFILIATES, HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, IMPARTIAL INVESTMENT ADVICE, AND THEY ARE NOT GIVING ANY ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S OR TRANSFEREE'S ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AND (2) HAS RECEIVED AND UNDERSTANDS THE DISCLOSURE OF THE EXISTENCE AND NATURE OF THE FINANCIAL INTERESTS CONTAINED IN THE BASE PROSPECTUS AND RELATED MATERIALS.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

(h) Each IAI Global Notes and the Definitive IAI Registered Notes (with appropriate revisions) will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN), THE HOLDER THEREOF: (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT) THAT IS AN INSTITUTION (AN "*INSTITUTIONAL ACCREDITED INVESTOR*"), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, ASSIGN, PLEDGE, ENCUMBER OR OTHERWISE TRANSFER THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT, THE TERMS OF THE IAI INVESTMENT LETTER IT EXECUTED IN CONNECTION WITH ITS PURCHASE OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES OF WHICH THIS NOTE FORMS PART AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iii) IN AN OFFSHORE TRANSACTION IN

COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (iv) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO (iii) OR (iv) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS NOTE.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING ITS INVESTMENT HEREIN WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING (THOSE INCLUDED IN CLAUSES (i), (ii) AND (iii) COLLECTIVELY REFERRED TO AS "*BENEFIT PLAN INVESTORS*") OR (iv) A PLAN OR OTHER ENTITY THAT IS SUBJECT TO ANY STATE, LOCAL, FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b)(i) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW AND (ii) IF IT IS A BENEFIT PLAN INVESTOR, THEN AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED IN 2016, IS APPLICABLE: (A) THE DECISION TO ACQUIRE THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) HAS BEEN MADE BY A FIDUCIARY THAT IS AN "INDEPENDENT FIDUCIARY WITH FINANCIAL EXPERTISE" AS DESCRIBED IN 29 C.F.R. 2510.3-21(c)(1) (THE "*INDEPENDENT FIDUCIARY*"), (B) THE INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, (C) THE INDEPENDENT FIDUCIARY IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) AND (D) NEITHER THE BENEFIT PLAN INVESTOR NOR THE INDEPENDENT FIDUCIARY IS PAYING OR HAS PAID ANY FEE OR OTHER COMPENSATION TO ANY OF THE BANK, AN ARRANGER, A DEALER OR AN AGENT FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH ITS ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN). IN ADDITION, EACH SUCH PURCHASER OR TRANSFEREE WILL BE REQUIRED OR DEEMED TO ACKNOWLEDGE AND AGREE THAT THE INDEPENDENT FIDUCIARY: (1) HAS BEEN INFORMED THAT NONE OF THE BANK, AN ARRANGER, A DEALER, AN AGENT OR OTHER PERSONS WHO PROVIDE MARKETING SERVICES, NOR ANY OF THEIR RESPECTIVE AFFILIATES, HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, IMPARTIAL INVESTMENT ADVICE, AND THEY ARE NOT GIVING ANY ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S OR TRANSFEREE'S ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AND (2) HAS RECEIVED AND UNDERSTANDS THE DISCLOSURE OF THE EXISTENCE AND NATURE OF THE FINANCIAL INTERESTS CONTAINED IN THE BASE PROSPECTUS AND RELATED MATERIALS.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

(i) If such investor holds a Definitive Regulation S Registered Note or a beneficial interest in a Regulation S Registered Global Note, that if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Note (or beneficial interest) in the Notes prior to the expiration of a 40-day period after the later of the commencement of the offering to persons other than distributors and the applicable Issue Date (the "*Distribution Compliance Period*"), it will do so only: (i)(A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable U.S. federal and state securities laws; and it acknowledges that such Notes (with appropriate revisions) will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) SHALL BE MADE TO A U.S. PERSON PRIOR TO THE EXPIRATION OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF

ANY OF THE FOREGOING (THOSE INCLUDED IN CLAUSES (i), (ii) AND (iii) COLLECTIVELY REFERRED TO AS "*BENEFIT PLAN INVESTORS*") OR (iv) A PLAN OR OTHER ENTITY THAT IS SUBJECT TO ANY STATE, LOCAL, FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b)(i) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW AND (ii) IF IT IS A BENEFIT PLAN INVESTOR, THEN AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED IN 2016, IS APPLICABLE: (A) THE DECISION TO ACQUIRE THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) HAS BEEN MADE BY A FIDUCIARY THAT IS AN "INDEPENDENT FIDUCIARY WITH FINANCIAL EXPERTISE" AS DESCRIBED IN 29 C.F.R. 2510.3-21(c)(1) (THE "*INDEPENDENT FIDUCIARY*"), (B) THE INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, (C) THE INDEPENDENT FIDUCIARY IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) AND (D) NEITHER THE BENEFIT PLAN INVESTOR NOR THE INDEPENDENT FIDUCIARY IS PAYING OR HAS PAID ANY FEE OR OTHER COMPENSATION TO ANY OF THE BANK, AN ARRANGER, A DEALER OR AN AGENT FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH ITS ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN). IN ADDITION, EACH SUCH PURCHASER OR TRANSFEREE WILL BE REQUIRED OR DEEMED TO ACKNOWLEDGE AND AGREE THAT THE INDEPENDENT FIDUCIARY: (1) HAS BEEN INFORMED THAT NONE OF THE BANK, AN ARRANGER, A DEALER, AN AGENT OR OTHER PERSONS WHO PROVIDE MARKETING SERVICES, NOR ANY OF THEIR RESPECTIVE AFFILIATES, HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, IMPARTIAL INVESTMENT ADVICE, AND THEY ARE NOT GIVING ANY ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S OR TRANSFEREE'S ACQUISITION OR HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) AND (2) HAS RECEIVED AND UNDERSTANDS THE DISCLOSURE OF THE EXISTENCE AND NATURE OF THE FINANCIAL INTERESTS CONTAINED IN THE BASE PROSPECTUS AND RELATED MATERIALS.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

(j) If such investor purchases a Global Note (or any beneficial interest therein), then it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in such Global Note as well as to registered holder of such Global Note.

(k) If such investor purchases a Registered Note (or any beneficial interest therein), then it will also be deemed to acknowledge that the Registrar will not be required to accept for registration of transfer any Notes

acquired by it except upon presentation of evidence satisfactory to the Bank and the Registrar that the restrictions set forth herein have been complied with.

(l) Such investor acknowledges that:

(i) the Bank, the Dealers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Bank and the applicable Dealer(s) promptly in writing, and

(ii) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, then such investor represents (or will be deemed to represent) with respect to each such account that:

(A) such investor has sole investment discretion, and

(B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(m) Such investor agrees that it will give to each person to whom it transfers a Note notice of any restrictions on the transfer of such Note set forth in clause (d) and in any applicable legend set forth in clause (g), (h) or (i).

(n) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Bank or the Dealers that would permit a public offering of the Notes or the possession, circulation or distribution of this Base Prospectus or any other material relating to the Bank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this "Transfer Restrictions" section.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of a Note (or a beneficial interest therein) will be deemed to represent, warrant and agree that either: (a) it is not, and for so long as it holds a Note (or a beneficial interest therein) will not be, acquiring or holding such Note (or beneficial interest) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b)(i) the acquisition, holding and disposition of such Note (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law and (ii) if it is a Benefit Plan Investor, then at any time when Regulation 29 C.F.R. Section 2510.3-21, as modified in 2016, is applicable: (A) the decision to acquire such Note (or a beneficial interest therein) has been made by a fiduciary that is an "independent fiduciary with financial expertise" as described in 29 C.F.R. 2510.3-21(c)(1) (an "*Independent Fiduciary*"), (B) the Independent Fiduciary is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, (C) the Independent Fiduciary is responsible for exercising independent judgment in evaluating the acquisition, holding and disposition of such Note (or beneficial interests therein) and (D) neither the Benefit Plan Investor nor the Independent Fiduciary is paying or has paid any fee or other compensation to any of the Bank, an Arranger, a Dealer or an Agent for investment advice (as opposed to other services) in connection with its acquisition or holding of such Note (or a beneficial interest therein). In addition, each such purchaser and transferee will be required or deemed to acknowledge and agree that the Independent Fiduciary: (1) has been informed that none of the Bank, an Arranger, a Dealer, an Agent or other persons who provide marketing services, nor any of their respective affiliates, has provided, and none of them will provide, impartial investment advice, and they are not giving any advice in a fiduciary capacity, in connection with the purchaser's or transferee's acquisition or holding of such Note (or a beneficial interest therein) and (2) has received and understands the disclosure of the existence and nature of the financial interests contained in this Base Prospectus and related materials.

Institutional Accredited Investors who purchase Registered Notes offered and sold in the United States as part of their original issuance in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. An IAI Investment Letter will state, among other things, the following:

(a) that the applicable Institutional Accredited Investor has received a copy of this Base Prospectus and such other information as it deems necessary in order to make its investment decision,

(b) that such Institutional Accredited Investor understands that such Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Notes have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Notes is subject to certain restrictions and conditions set forth in this Base Prospectus and such Notes (including those set out above) and that it agrees to be bound by, and not to reoffer, resell, pledge or otherwise transfer such Notes except in compliance with, such restrictions and conditions and the Securities Act,

(c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes,

(d) that it is an Institutional Accredited Investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment in the Notes for an indefinite period of time,

(e) that such Institutional Accredited Investor is acquiring such Notes for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of such Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control, and

(f) that, in the event that such Institutional Accredited Investor purchases Notes (or beneficial interests therein), it will acquire Notes (or beneficial interests therein) having a minimum purchase price of at least US$500,000 (or the approximate equivalent in another Specified Currency) (or such other amount set forth in the applicable Final Terms).

Unless set forth in the applicable Final Terms otherwise, no sale of Legended Notes in the United States to any one purchaser will be for less than US$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, then each person for whom it is acting must purchase at least US$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its foreign currency equivalent) principal amount of Registered Notes (in each case, or such other amount as may be set forth in the applicable Final Terms).

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme. The maximum debt instrument amount that the Bank may issue under the Programme Approvals is US$2,000,000,000 (or its equivalent in other currencies) in aggregate; *provided* that the aggregate outstanding nominal amount of the debt instruments denominated in Turkish Lira issued by the Bank (whether under this approval or otherwise) may not exceed TL 5,000,000,000. Regardless of the outstanding Note amount, unless the Bank obtains new approvals from the BRSA and the CMB, the aggregate debt instrument amount to be issued under the Programme Approvals may not exceed US$2,000,000,000 (or its equivalent in other currencies). Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with

Decree 32, the Banking Law and its related legislation, the Capital Markets Law and its related legislation and the Debt Instruments Communiqué. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Programme Approvals. The Notes issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

Under the Programme Approvals, the BRSA and CMB have authorised the offering, sale and issue of any Notes within the scope of the Programme Approvals on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) both in the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that, pursuant to Article 15(d)(ii) of Decree 32, for each of clauses (a) and (b), such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions while purchasing Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

To the extent (and in the form) required by applicable law, an approval from the CMB in respect of each Tranche of Notes is required to be obtained by the Issuer prior to the Issue Date of such Tranche of Notes.

Monies paid for investments in the Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act or any other U.S. federal or state securities laws and may not be offered or sold in 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.

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

In connection with any Regulation S Note, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (or beneficial interests therein): (a) as part of their distribution at any time or (b) otherwise until the expiration of the applicable Distribution Compliance Period other than in an offshore transaction to, or for the account or benefit of, persons who 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, dealer or other person to which it sells any Regulation S Notes (or beneficial interests therein) during the applicable Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes other than in offshore transactions to, or for the account or benefit of, persons who are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until the expiration of the applicable Distribution Compliance Period, an offer or sale of such Notes (or beneficial interests therein) 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) might violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Deed Poll to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such

holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes of the applicable Series remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Public Offer Selling Restriction under the Prospectus Directive and, where applicable, Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that if the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as:

1. "Applicable," then it has not offered, sold or otherwise made available (and will not offer, sell or otherwise make available) any of such Notes (or beneficial interests therein) to any EEA Retail Investor, and

2. "Not Applicable," then, in relation to each Relevant Member State with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*"), it (with respect to such Notes) has not made and will not make an offer of Notes 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 Notes to the public in that Relevant Member State at any time:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive,

(b) 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(s) nominated by the Issuer for any such offer, or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in clauses (a) to (c) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of part 2, the expression "*an offer of Notes to the public*" in relation to any Notes (which shall also include beneficial interests therein where applicable) 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 (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe the Notes (or beneficial interests therein), as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended ("*FSMA*") by the Issuer,

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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 (or beneficial interests therein) to any person for reoffering or resale, or redelivery, in any such case, directly or indirectly, in the PRC (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (or beneficial interests therein) other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "*SFO*") and any rules made under the SFO or (ii) in other circumstances that do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "*C(WUMP)O*") or that do not constitute an offer to the public within the meaning of the C(WUMP)O, and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes (or beneficial interests therein) that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "*FIEA*") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade 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.

Switzerland

In Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in any Notes. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into, or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to Article 5 of the Swiss Collective Investment Scheme Act, and each Dealer has represented to and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer

that neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available by it in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

Singapore

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes (or beneficial interests therein) or caused any Notes (or beneficial interests therein) to be the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes (or beneficial interests therein), whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the "*SFA*")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(1) of the SFA) or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes (or beneficial interests therein) are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (which is not an accredited investor, as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of which is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust, as applicable, has acquired the Notes (or beneficial interests therein) pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA,

(ii) where no consideration is or will be given for the transfer,

(iii) where the transfer is by operation of law,

(iv) as specified in Section 276(7) of the SFA, or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Thailand

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Base Prospectus has not been approved by or filed with the Securities and Exchange Commission or any other regulatory authority of the Kingdom of Thailand. Accordingly, each Dealer has represented and agreed, and each

further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold, or this Base Prospectus distributed, directly or indirectly, to any person in Thailand except under circumstances that will result in compliance with all applicable laws and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "*Belgian Consumer*"), and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes (or beneficial interests therein), and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws 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 in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

LEGAL MATTERS

Certain matters relating to the issuance of Notes will be passed upon for the Bank by Mayer Brown LLP as to matters of United States law and by YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters of English and United States law will be passed upon for the Dealers by Herbert Smith Freehills LLP and certain matters of Turkish law will be passed upon for the Dealers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organised under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Bank are located in Turkey. As a result, it might 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 proceedings before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

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

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

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

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

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

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

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

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

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

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

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

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

In connection with the issuance of Notes under the Programme, service of process may be made upon the Bank at Qatar National Bank (Q.P.S.C.), London Branch, 51 Grosvenor Street, London, W1K 3HH, United Kingdom, with respect to any proceedings in England.

OTHER GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes by the Bank have been duly authorised pursuant to the authority of the officers of the Bank under the resolutions of its Board of Directors dated 19 October 2017 and 28 March 2018.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to Euronext Dublin for Notes issued through the date that is one year after the date hereof to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that each Tranche of Notes that is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of one or more Notes initially representing the Notes of such Tranche; *however*, no assurance can be given that any such admission will occur. If a Tranche of Notes is to be listed by the Issuer on Euronext Dublin or any other stock exchange, then any information required by such exchange to be in the applicable Final Terms will be included therein.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Programme and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN (if any) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. To the extent applicable, the CUSIP, CINS, ISIN, Common Code, CFI and/or FISN for each Tranche of Notes will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, then the appropriate information will be specified in the applicable Final Terms.

Interest on each Registered Note will be paid only to the person in whose name such Registered Note was registered at the close of business on the Record Date. Notwithstanding the Record Date established in the Conditions for any Series of Registered Notes, the Issuer has been advised by DTC that through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC's Participants' holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" for these purposes is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorised or required by law or executive order to close.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for Determining Price

For Notes (or beneficial interests therein) to be issued to one or more Dealer(s), the price and amount of such Notes (or beneficial interests therein) will be determined by the Issuer and such Dealer(s) at the time of issue in accordance with prevailing market conditions. For Notes (or beneficial interests therein) to be issued to one or more investor(s) purchasing

such Notes (or beneficial interests therein) directly from the Issuer, the price and amount of such Notes (or beneficial interests therein) will be determined by the Issuer and such investor(s).

Significant or Material Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 December 2017 and (b) no material adverse change in the financial position or prospects of the Bank since such date.

Litigation

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Base Prospectus that might have or in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Arranger and Dealers, so far as the Bank is aware, no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, that is material to the issue of the Notes; *provided* that one or more of such persons might own Notes (or beneficial interests therein). It should be noted that one of the Dealers (*i.e.*, QNB Capital LLC) is a subsidiary of QNB and thus an affiliate of the Bank.

Independent Auditors

The BRSA Financial Statements of the Bank and the Group as of and for the years ended 31 December 2016 and 2017 have been audited by Ernst & Young, all in accordance with the BRSA Accounting and Reporting Principles. The audit reports on the BRSA Financial Statements as of and for the years ended 31 December 2016 and 2017 emphasise that: (a) the effect of the differences between the accounting principles summarised in Section 3 thereof and the accounting principles generally accepted in countries in which the financial statements are to be distributed and IFRS have not been quantified and reflected in the financial statements, (b) the accounting principles used in the preparation of the financial statements differ materially from IFRS and (c) accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS. See the auditors' reports incorporated by reference into this Base Prospectus.

Ernst & Young is located at Maslak Mah. Eski Büyükdere Cad. No.27 Orjin Maslak Daire 54-57-59 Kat: 2-3-4, Sarıyer, İstanbul, 34398. Ernst & Young, an independent certified public accountant in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey.

Documents

The Bank produces audited consolidated and unconsolidated annual and unaudited consolidated and unconsolidated quarterly interim financial statements. Copies of the latest audited annual and unaudited interim reports of the Bank (in English) delivered by the Bank pursuant to Condition 5.3 may be obtained, and copies (with certified English translations where the documents at issue are not in English) of the Bank's articles of association and of its audited financial statements as of and for the years ended 31 December 2016 and 2017, and copies of the transaction documents referred to herein (including the forms of the Notes) will be available for inspection, at the offices of the Bank and the Fiscal Agent.

Copies of the documents referred to in the preceding paragraph and certain other documents (including this Base Prospectus, the constitutional documents of the Bank, the Group's BRSA financial statements for the latest two years, the Bank's BRSA financial statements for the latest two years, the Deed of Covenant and the Agency Agreement) will be available in physical form for inspection at the Bank's headquarters at Esentepe Mahallesi, Büyükdere Cad., Kristal Kule Binası, No:215, Şişli, İstanbul, Turkey, with such financial statements also being available on the Bank's website at www.finansbank.com.tr/en/investor-relations/financial-information/Default.aspx. (such website does not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). Such documents will be so available through the final redemption of the Notes.

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Dealers and Arranger transacting with the Issuer

Certain of the Dealers, the Arranger and their respective affiliates have engaged, and might in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their respective affiliates might 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 might involve securities and/or instruments of the Issuer or its affiliates. The Arranger, the Dealers and their respective affiliates that have a credit relationship with the Issuer might from time to time hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arranger, the Dealers or their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions might adversely affect future trading prices of an investment in the Notes. The Arranger, the Dealers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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APPENDIX A

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING AND REPORTING PRINCIPLES

The BRSA Financial Statements are presented in accordance with the BRSA Accounting and Reporting Principles. The BRSA Accounting and Reporting Principles differ from IFRS in certain respects. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (*e.g.*, IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. The following paragraphs summarise major areas in which the BRSA Accounting and Reporting Principles and IFRS differ from each other with respect to financial statements through 31 December 2017.

(a) *Consolidation*. Only financial sector subsidiaries are consolidated under the BRSA Accounting and Reporting Principles, whereas other associates are carried at cost. The BRSA Accounting and Reporting Principles provide an exemption for consolidation based upon certain materiality criteria, whereas this is not applicable in the case of IFRS. Under IFRS, all subsidiaries are consolidated.

(b) *Provisioning for loan losses*. The BRSA provisioning for loan losses is different from IAS 39 and is based upon percentages relating to number of days overdue prescribed by relevant regulations, whereas the IFRS provisioning for loan losses is based upon the present value of scheduled future cash flows discounted at the original effective interest rate. Moreover, the BRSA provisioning for loan losses is based upon percentages defined in regulations for many asset items, not only for loans, which is not the case with IFRS.

(c) *General loan loss provisioning*. A general loan loss provision is required under the BRSA Accounting and Reporting Principles but prohibited under IFRS. Instead, IFRS require portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

(d) *Deferred taxation*. Certain differences exist in the area of deferred taxation. For example, under the BRSA Accounting and Reporting Principles no deferred tax is computed in relation to general loan loss provisions, whereas under IFRS it is computed over collective allowance for impairment.

(e) *Application period for hyperinflationary accounting.* Hyperinflationary accounting ceased to be applied as of 1 January 2005 under the BRSA Accounting and Reporting Principles, whereas it ceased to be applied as of 1 January 2006 under IFRS.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services, which are subject to policies/requirements of the Undersecretariat of Treasury, and factoring and leasing services, which are subject to BRSA policies/requirements.

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