BASE PROSPECTUS

DenizBank A.Ş.

(*a Turkish banking institution organised as a joint stock company*)

U.S.$ 3,000,000,000
Euro Medium Term Note Programme

Under this U.S.$3,000,000,000 Euro Medium Term Note Programme (the **Programme**), DenizBank A.Ş., a Turkish banking institution organised as a joint stock company (**DenizBank**, the **Bank** or the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval by the FCA should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List or have been admitted to trading on such further stock exchanges or markets as may be specified in the applicable Final Terms (as defined below). The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MiFID II**).

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). For these purposes, references(s) to the EEA include(s) the United Kingdom (the UK). The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

Application has been made to the Capital Markets Board of Turkey (the **CMB**), in its capacity as competent authority under Law No. 6362 (the **Capital Markets Law**) of the Republic of Turkey (**Turkey**) relating to capital markets, for the approval of the issuance certificate relating to the Notes by the CMB and the issuance and sale of Notes by the Bank outside of Turkey. No Tranche (as defined in "*Terms and Conditions of the Notes*") of Notes can be sold outside Turkey before the necessary approvals and an approved issuance certificate in respect of such Tranche are obtained from the CMB. The issuance of the Notes was approved by the CMB on 2 April 2020 by the CMB letter dated 3 April 2020 and numbered 43/BA-462 (and the issuance certificate (*ihraç belgesi*) annexed thereto, the **CMB Approval**) and by the BRSA in its letter dated 9 March 2020 and numbered 32521522-101.99[71]-E.2701 (the **BRSA Approval** and together with the CMB Approval, the **Approvals**). In addition, the Issuer is required to apply to the CMB for approval via electronic signature on or before the Issue Date in order to proceed with the sale and issuance of the Notes; however, as of the date of this Base Prospectus, the CMB's system allowing such application has not yet become operational. Therefore, unless such system becomes operational before the Issue Date, the written approval of the CMB (which might be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or in any other form as required under the applicable legislation) in respect of the Notes must be obtained by the Issuer from the CMB on or before the Issue Date in order to proceed with the sale and issuance of the Notes. If and when the aggregate nominal amount of all Notes issued and sold following 2 April 2020 under the Programme exceeds U.S.$3,000,000,000, the Bank will be required to obtain a new CMB approval prior to the issuance and sale of any further tranche of Notes.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, where listed, will be delivered to the FCA and the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and the offer and sale is in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Issuer has been assigned a long term foreign currency issuer default rating of B+ by Fitch Ratings Ltd. (**Fitch**) and a long term foreign currency deposit rating of B3 by Moody's Investors Services Limited (**Moody's** and, together with Fitch, the **Rating Agencies**). The Programme is expected to be assigned a long term rating of B+ by Fitch. Each of the Rating Agencies is established in the European Union or the United Kingdom and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by Fitch. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating expected to be assigned to the Programme by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to EURIBOR, LIBOR (each as defined below) or such other Reference Rate (as defined below) as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR, European Money Markets Institute

and the administrator of LIBOR, ICE Benchmark Administrator Limited are included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). In respect of Reference Rates other than EURIBOR and LIBOR, the applicable Final Terms will indicate whether or not such Reference Rate is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation.

Arrangers

BofA Securities **Emirates NBD Capital** **J.P. Morgan**

Dealers

BofA Securities **Emirates NBD Capital** **J.P. Morgan**

The date of this Base Prospectus is 5 May 2020.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Notes issued under the Programme for the purposes of Article 8 of the Prospectus Regulation. When used in this Base Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129.

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

Certain information contained in "*Risk Factors*", "*Description of the Issuer*", "*Turkish Banking System*" and "*Turkish Regulatory Environment*" (as indicated therein) has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant, third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

This Base Prospectus is to be read in conjunction with any amendments or supplements hereto and with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, should be read in conjunction with the applicable Final Terms. This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

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

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

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

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

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

IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the **UK**. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) - The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (as amended or modified, the **SFA**). The Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or

other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including, for these purposes, the UK and Belgium), Turkey, Hong Kong, Singapore, Switzerland, the Dubai International Financial Centre, the United Arab Emirates (excluding the Dubai International Financial Centre), Japan and Taiwan, see "*Subscription and Sale*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Bank and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in Turkish Lira in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Turkish Banking Law as approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005 (the **Banking Law**), the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board, and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the BRSA and other relevant rules promulgated by the Turkish Commercial Code (Law No. 6102) (the **TCC**), the CMB and Turkish tax regulations (such laws, regulations, circulars, communiqués, pronouncements, decrees, notes and explanations taken together, **BRSA Reporting Standards** and the **BRSA Principles**). The statutory financial statements are prepared both on an unconsolidated bank-only basis and on a consolidated basis with its financial subsidiaries and are provided to the CMB and the BRSA in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA which refers to "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Public Oversight Accounting and Auditing Standards Authority (**POA**) and other decrees, notes and explanations related to the accounting and financial reporting principles (all **Turkish Accounting Standards** or **TAS**) published by the BRSA. The Bank's foreign subsidiaries and foreign branch in Bahrain maintain their books of accounts and prepare their statutory financial statements in accordance with generally accepted accounted principles and the related legislation applicable in the countries in which they operate, however in order to provide fair presentation accounting to TAS, necessary adjustments and reclassifications are made to those financial statements.

None of the BRSA Financial Statements (as defined below) have been prepared in accordance with International Financial Reporting Standards (**IFRS**), including International Accounting Standards (**IAS**) as promulgated by the International Accounting Standards Board (**IASB**). BRSA Reporting Standards differ in certain respects from IFRS. While BRSA Reporting Standards have been converging with IFRS over recent years, such BRSA Reporting Standards still differ in certain respects from IFRS. The Bank is not providing in this Base Prospectus, any reconciliation between IFRS and the BRSA Reporting Standards or the BRSA Financial Statements. For a discussion of certain key differences between IFRS and BRSA Reporting Standards, see "*Appendix 1—Summary of Differences Between IFRS and BRSA Reporting Standards*". With the exception of the key differences set forth in Appendix A hereto, the Bank directs any investor concerned with the differences between IFRS and BRSA Reporting Standards to consult its own advisors.

Unless otherwise specified, financial information contained or incorporated by reference in this Base Prospectus has been prepared, in respect of the Bank and its subsidiaries (together, the **Group**), in

accordance with BRSA Reporting Standards on a consolidated basis (referred to herein as **BRSA consolidated**).

The financial statements incorporated by reference in this Base Prospectus consist of:

- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2019 (including comparative financial statements as of and for the year ended 31 December 2018) and the notes thereto, prepared in accordance with BRSA Reporting Standards, together with the independent auditor's report thereon (the **2019 BRSA Financial Statements**);

- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2018 (including comparative financial statements as of and for the year ended 31 December 2017) and the notes thereto, prepared in accordance with BRSA Reporting Standards, together with the independent auditor's report thereon (the **2018 BRSA Financial Statements** and, together with the 2019 BRSA Financial Statements, the **BRSA Financial Statements**);

Certain financial and other information presented in various tables in this Base Prospectus, including certain tables in "*Selected Statistical and Other Information*", have been prepared on the basis of the Bank's own internal accounts, statistics and estimates, and are unaudited. The Dealers are not responsible for the completeness or accuracy of, and investors are cautioned against placing undue reliance upon, such information.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) (**EY**), was appointed as the Bank's external auditors as of 1 January 2013. The 2019 BRSA Financial Statements and the 2018 BRSA Financial Statements s have been audited by EY in accordance with Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority.

Due to mandatory regulatory requirements, the Bank rotated its auditors following completion of its annual audit as of and for the year ended 31 December 2019. Accordingly, the Bank appointed DRT Bağımsız Denetim Ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Limited) (**Deloitte**) as its independent auditor for the 3 year financial reporting period starting on 1 January 2020. Deloitte's appointment became effective following approval at the Bank's ordinary general assembly meeting on 26 March 2020.

Alternative performance measures

Certain financial measures presented by DenizBank in this Base Prospectus are not defined in accordance with IFRS accounting standards. The Bank believes that these alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the **ESMA Guidelines**) on Alternative Performance Measures (**APMs**)) provide useful supplementary information to both investors and to the Bank's management, as they facilitate the evaluation of underlying business performance across financial reporting periods. However, investors should note that, since not all companies calculate financial measurements such as the APMs presented by the Bank in this Base Prospectus in the same manner, these are not always directly comparable to performance metrics used by other companies.

Additionally, the APMs presented by the Bank in this Base Prospectus are unaudited and have not been prepared in accordance with IFRS, U.S. Generally Accepted Accounting Principles or any other accounting standards. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. The Bank considers that the following metrics (which are set out below along with their reconciliation, to the extent that such information is not defined according to IFRS and not included in the Financial Statements incorporated by reference into this Base Prospectus) presented in this Base Prospectus constitute APMs for the purposes of the ESMA Guidelines:

APM	Definition/method of calculation	2019 BRSA Financial Statements line item
Return on average equity	Net profit for the period attributable to equity holders of the parent divided by average equity attributable to equity holders of the parent.	Net profit for the period
Return on average assets	Net income for the period attributable to equity holders of the parent divided by average total assets.	Net profit for the period
Net interest margin	Net interest income divided by average interest earning assets.	Net interest income
Total capital adequacy ratio	Calculated in accordance with BRSA regulations, Represents total capital (Tier 1, Tier 2 and deductions) divided by total risk weighted assets.	Total capital
Cost to income ratio	Represents operating expenses ("expenses" in BRSA financial statements) divided by total operating income before provisions and operating expenses ("income" in BRSA financial statements).	Other operating expenses, personnel expenses Gross Profit from Operating Activities Expected Credit Losses
Free capital ratio	Total shareholders' equity excluding non-performing loans, expected credit losses, intangible assets, tangible assets, investment property, investments in associates, subsidiaries and joint ventures and deferred and current tax assets and liabilities divided by total assets.	Shareholders' equity Expected credit losses Intangible assets Tangible assets Investment property Investments in associates, subsidiaries and joint ventures Deferred tax assets & liabilities Current tax assets & liabilities Total assets
Cost of risk	Represents impairment on loans and provisions for credit commitments divided by average gross loans and advances to customers.	Expected credit losses Loans, lease receivables, factoring receivables

APM	Definition/method of calculation	2019 BRSA Financial Statements line item
Return on equity	Return on equity provides an indication of the Bank's profitability and is calculated by dividing net profit for the period by shareholders' equity.	Net profit for the period Shareholders' equity
Non-performing loan (**NPL**) ratio	Financial measure to express loan asset quality. This is expressed as non-performing loans (seen from footnote (5.I.d)) as a percentage of gross loans and advances to customers and banks (including non-performing loans, before the deduction of allowance for impairment for non-performing loans).	Loans, lease receivables, factoring receivables
NPL coverage ratio	The NPL coverage ratio is designed to measure what percentage of the Bank's NPLs are covered by loan provisions. The ratio is calculated by dividing total loan provision by non-performing loans (seen from footnote (5.I.d)).	Expected credit losses
Loan loss coverage ratio	The loan loss coverage ratio is designed to measure whether the Bank can sufficiently cover any losses in the event of default by debtors. The ratio is calculated by dividing total loan provision (expected loss for loans; seen from footnote (4.II.i) by gross loans (which includes lease & factoring receivables).	Loans, lease receivables, factoring receivables Expected credit losses
Net loans to customer deposits ratio	The net loans to customer deposits (deposits excluding bank deposits ratio indicates how well the Bank's loans are funded by its deposit base (seen from footnote (5.II.a)) The net loans to customer deposits ratio is calculated by dividing net loans by customer deposits.	Loans, lease receivables, factoring receivables Expected credit losses Deposits
Securities to assets ratio	The securities to assets ratio indicates what proportion of the Bank's assets is invested in securities. The securities to assets ratio is calculated by dividing the sum of Financial Assets at Fair Value through Profit or Loss,	Financial Assets at Fair Value through Profit or Loss Financial Assets at Fair Value through Other Comprehensive Income

APM	Definition/method of calculation	2019 BRSA Financial Statements line item
	Financial Assets at Fair Value through Other Comprehensive Income and Financial Assets Measured at Amortised Cost by Total assets.	Financial Assets Measured at Amortised Cost Total assets
Liquidity ratio	The liquidity ratio is a financial ratio which quantifies the Bank's liquidity. This is expressed as total liquid assets (being assets held by the Bank that can be converted into cash at relatively short notice) divided by total assets.	Total assets
Liquidity coverage ratio (Basel III)	Liquidity coverage ratio is designed to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. It is calculated as the ratio of high quality liquid assets ("HQLAs") and dividing this by a bank's projected total net cash outflows over the immediately following 30-day stressed period. It is determined by the Basel III standards and has been implemented in Turkey.	High quality liquid assets
Tier 1 ratio (Basel II)	Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank. Tier 1 ratio is defined as total Tier 1 capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	Tier 1 capital
Common Equity Tier 1 Capital requirement ratio (Basel III)	Calculated in accordance with the capital adequacy regulations issued by the BRSA. Common Equity Tier 1 ratio is defined as CET 1 capital divided by risk-weighted assets at a given	Common Equity Tier 1 Capital

APM	Definition/method of calculation	2019 BRSA Financial Statements line item
	date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	
Additional Common Equity Tier I Capital ratio	Additional Common Equity Tier I Capital ratio is defined as additional CET 1 capital divided by risk-weighted assets at a given date.	Total capital
Tier I Capital Adequacy Ratio	Calculated in accordance with the capital adequacy regulations issued by the BRSA. Tier I capital adequacy ratio is defined as total Tier I capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.	Tier I capital

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

In this Base Prospectus, all references to:

- **U.S. dollars**, **USD**, **U.S.$** and **$** refer to United States dollars;
- **Turkish Lira** and **TL** refer to the lawful currency for the time being of Turkey;
- **Sterling** and **£** refer to pounds sterling; and
- **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.

References to a **billion** are to a thousand million.

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

SUITABILITY OF INVESTMENT

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Issuer*" and other sections of this Base Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Turkey and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate;
- the Issuer's ability to carry out acquisitions, disposals and any other strategic transactions;
- the Issuer's ability to manage liquidity risks and to access financial markets;
- the Issuer's success in managing the risks involved in the foregoing, which depends, among other things, on the Issuer's ability to anticipate events that cannot be captured by the statistical models the Issuer uses; and
- *force majeure* and other events beyond the Issuer's control.

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

STABILISATION

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

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a new Base Prospectus or a supplement to the Base Prospectus, will be published.

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

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

Issuer:	DenizBank A.Ş.
Issuer Legal Entity Identifier (**LEI**):	3RV7W250LTUQH12INJ88
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*".
Description:	Euro Medium Term Note Programme
Arrangers:	Emirates NBD Bank PJSC, J.P. Morgan Securities plc and Merrill Lynch International
Dealers:	Emirates NBD Bank PJSC J.P. Morgan Securities plc Merrill Lynch International and any other Dealers appointed in accordance with the Programme Agreement. Pursuant to the terms of the Programme Agreement, the Issuer may terminate the appointment of any Dealer or appoint further dealers (including for a particular Series of Notes).
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having 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 (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in either bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Final Terms. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will

	be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Benchmark Replacement	On the occurrence of a Benchmark Event for a Series of Floating Rate Notes, the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate or, alternatively, an Alternative Reference Rate and (in either case) an Adjustment Spread for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods. If the Issuer is unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or an Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread, then the Issuer may make such determination as further described in Condition 6.3.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. 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.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amounts in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited

	circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted. All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA and, in accordance with Condition 9, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme is expected to be assigned a long term rating of B+ by Fitch. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Fitch is established in the European Union and registered under the CRA Regulation.
Listing:	Application has been made for Notes issued under the Programme to be listed on the Official List of the FCA and admitted to trading on the Regulated Market of the London Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg or, in relation to any Tranche of Notes, any other clearing system specified in the applicable Final Terms.
Governing Law:	The Notes, the Agency Agreement, the Programme Agreement and the Deed of Covenant and any non-contractual obligations

	arising out of or in connection with any of them are or will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including, for these purposes, the United Kingdom and Belgium) Turkey, Hong Kong, Singapore, Switzerland, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Japan, Taiwan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

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

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

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks Related to the Issuer's Business

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

As of 31 December 2019, the majority of the Issuer's total assets and operations were in Turkey. As a result, the Issuer's business and results of operations are primarily affected by economic conditions in Turkey. Turkish GDP growth has fluctuated in the past several years with GDP growth of 6.1% in 2015, 3.2% in 2016, 7.4% in 2017, 2.6% in 2018 but decreased to 0.9% in 2019 according to TurkStat. Political uncertainty in the summer of 2018 led to a sharp depreciation in the Turkish Lira and Turkey's economic conditions have weakened, though the Turkish Lira has since recovered most of its losses during the remainder of 2018 and the first quarter of 2019. Weaker economic conditions in Turkey could adversely impact the Issuer's business and operating results as a result of:

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

The deterioration of macroeconomic conditions in Turkey has impacted the Turkish banking sector in several ways including (i) the high interest rate environment which increased the cost of funding, and lending rates, (ii) slow economic growth and increased inflation which negatively impacted the demand and supply for lending and the asset quality of both corporate and retail loans until the last quarter of 2019, and (iii) volatility in the exchange rate which also impacted both the asset quality and capital ratios of the Turkish banking sector. Accordingly, continued weakness in Turkish economic conditions could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

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

As an open, emerging economy with a reliance on external funding, Turkey's economy is significantly impacted by global macroeconomic conditions, particularly those that impact emerging markets (including the U.S. Federal Reserve's monetary policy). Accordingly, negative developments in international financial markets and global macroeconomic conditions may have a negative impact on the Turkish economy and

could adversely impact the Issuer's business and operating results as a result of the factors discussed above in "*—The Issuer's business, results of operations, financial condition and prospects are affected by general economic conditions in Turkey*".

Since 2017, global credit and capital markets have been negatively affected by the increased possibility of global central banks' monetary tightening, mounting concerns over the possibility of a global trade war and the state of international political relations. In 2019, conditions in financial and credit markets have been more volatile, with the U.S. Federal Reserve reducing interest rates by 25 basis points (**bps**) in each of July, September and October 2019 citing weaker conditions in the global economy and trade tensions. In March 2020, the U.S. Federal Reserve reduced rates by a further 50bps in response to the on-going outbreak of novel coronavirus (**COVID-19**), which first emerged in Wuhan, China in late 2019. Later that month, on 15 March 2020 the U.S. Federal Reserve further reduced its interest rates by a further 100bps to a target range of 0% to 0.25%. The COVID-19 outbreak is likely to have an adverse impact on global macroeconomic conditions. Any deterioration of global economic conditions or monetary tightening is likely to have a negative impact on the business, financial condition and/or results of operations of the Issuer.

The COVID-19 pandemic has impacted the Issuer's business, and the ultimate impact on its business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. The COVID-19 pandemic is likely to have an adverse impact on economic conditions in Turkey, including economic growth, and the end date of the COVID-19 pandemic and any related adverse impacts is uncertain. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities. As a result, the demand for the Issuer's products and services may be significantly impacted. Furthermore, the pandemic could influence the recognition of credit losses in the Issuer's loan portfolios and increase its allowance for credit losses, particularly as businesses remain closed and as more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses. Similarly, because of changing economic and market conditions affecting issuers, the Issuer may be required to recognise other-than-temporary impairments in future periods on the securities it holds as well as reductions in other comprehensive income. The Issuer's business operations may also be disrupted if significant portions of its workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, and the Group has already temporarily closed certain of the Issuer's branches and offices. In response to the pandemic and consistent with its Business Continuity Plan, the Group has implemented a weekly rotational system for its branch employees and has moved its head office employees to a work-from-home setup. The Group has also taken measures to promote the use of secure digital channels and apps. The extent to which the COVID-19 pandemic impacts the Group's business, results of operations, and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. As one of the largest lenders in Turkey, increased credit risk, including as a result of a deterioration in economic conditions, changes in market conditions, the regulatory environment, or other external factors, such as natural disasters, disease pandemics (such as the COVID-19 pandemic), or political or social matters, could require the Issuer to increase its provision for credit losses and allowance for credit losses and could have a material adverse effect on the Issuer's results of operations and financial condition. The Issuer may have more credit risk and higher credit losses to the extent its loans are concentrated by loan type, industry segment, borrower type or location of the borrower or collateral.

Credit risks, including risks arising from exposure to clients and the Turkish government, have materially adversely affected and could continue to materially adversely affect the Issuer's business, financial conditions, results of operations and prospects.

The Issuer's business is subject to inherent risk concerning the credit quality of borrowers and counterparties, which affects the value of the Issuer's assets. Systemic risks and macroeconomic factors in the Turkish and

global financial system discussed above can all impact the credit quality of the Issuer's customers and counterparties and negatively affect the value of the Issuer's assets.

As a result of weaker economic conditions in Turkey, NPL ratios have increased in the Turkish banking sector and for the Issuer. According to BRSA statistics, the ratio of NPLs to total loans in the Turkish banking sector was 3.1% as of 31 December 2016 (Group: 3.7%), 2.9% as of 31 December 2017 (Group: 3.4%), 3.8% as of 31 December 2018 (Group: 4.6%) and 5.2% as of 31 December 2019 (Group: 7.5%). The Turkish banking sector's NPL amount in TL increased by 55.4% as of 31 December 2019, compared to 31 December 2018, while the Issuer's NPL amount in TL increased by 73.8% in the same period, due to worsening economic conditions. As of 31 December 2019 as a result of worsening macroeconomic condition, the BRSA's directive on NPL classification and the Issuer's proactive and conservative asset quality management approach, Stage 2 loans to gross loans and NPL ratio increased to 16.6% and 7.5% respectively. Due to the on-going COVID-19 pandemic, on 17 March 2020 the BRSA announced temporary changes in NPL classification for banks until 31 December 2020 which extended the delinquency period after which loans are required to be classified as non-performing from 90 days to 180 days. This classification change covers consumer, vehicle, mortgage and commercial loans as well as classification of restructured loans as NPLs. This change to NPL classification means that the Issuer's number of NPLs will be lower than would have otherwise been reported absent the application of such reclassification measures and as a result will not necessarily signal the overall deterioration of credit quality of the Issuer's borrowers. For other coronavirus-related measures, see "*Turkish Regulatory Environment—Recent Coronavirus-related Measures*".

The Issuer also issues loans under Turkey's Credit Guarantee Fund (**KGF**) programme. For example, the Issuer participates as the only private bank in the KGF's most recently announced loan program, Nefes-3 (Breath-3). Through its participation in the KGF-guaranteed loan programme, the Issuer is exposed to TL 9.3 billion of debt to the Turkish government, 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 "*Turkish Regulatory Environment—Credit Guarantee Fund*" and "*Description of the Issuer—Overview of Banking Products and Services—Retail Banking—SME Banking*".

The Issuer may experience credit defaults arising from adverse changes in credit and recoverability that are inherent in the Issuer's banking businesses.

The Issuer's core banking businesses have historically been, and are expected to continue to be, loans to retail (including credit cards), SME, agricultural and wholesale banking including corporate, commercial and public customers. As at 31 December 2019, such loans constituted approximately 66% of the Issuer's total assets. Many factors affect customers' ability to repay their loans or other obligations to the Issuer. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, climate conditions and increased market volatility, may be difficult to anticipate and are almost entirely outside of the Issuer's control. Other factors are dependent upon the Issuer's strategy of loan growth (including sector focus) and the effectiveness of the Issuer's internal credit application and monitoring systems (see "*–The Issuer's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks*"). All of the aforementioned risks could have a material adverse impact on the Issuer's ability to meet its obligations under the Notes and could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's credit portfolio has sector and customer concentration, which renders it susceptible to deterioration in the financial condition of such sectors and customers.

The Issuer maintains a loan portfolio that is diversified by sector and by borrower. Loans and advances (both cash and non-cash) to the Issuer's 100 largest customers as at 31 December 2019, 2018 and 2017 represented 25%, 26% and 20%, respectively, of its total loans and advances to customers. In terms of sector concentration, exposure to any one sector does not exceed 10% of the Issuer's loan portfolio and as at 31 December 2019 Agriculture & Livestock, Tourism, Construction and Contracting, Energy and Infrastructure comprised 8.8%, 8.4%, 8.2%, 5.7% and 4.8%, respectively, of the Issuer's total cash and non-cash loans. A downturn in any of these sectors, individually or in the aggregate, may adversely affect the financial condition and prospects of the companies operating in such sectors and may result in, among other things, a decrease in funds that such corporate customers hold on deposit with the Issuer, defaults on their obligations

owed to the Issuer or a need for the Issuer to increase provisions in respect of such obligations, any of which could have a material adverse effect on the Issuer's business, financial condition, prospects and results of operations.

The Issuer's SME and agricultural customer base is particularly sensitive to adverse developments in the Turkish economy, which renders such lending activities relatively riskier than lending to larger corporate customers.

As at 31 December 2019, 15.6% and 10.4% of the Issuer's loan portfolio consisted of commercial loans to SMEs and agricultural clients, respectively (both Turkish Lira and foreign currency), compared to 16.5% and 9.9%, and 19.7% and 10.4%, as at 31 December 2018 and 2017, respectively. These types of customers typically have less financial strength than larger companies. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for such clients than is the case for larger corporate clients. Notwithstanding the credit risk determination procedures that the Issuer has in place, the Issuer may be unable to evaluate correctly the current financial condition of each prospective SME or agricultural borrower or determine its long-term financial viability.

The Issuer's overall impaired loans as at 31 December 2019, 2018 and 2017 were 7.5%, 4.6% and 3.4%, respectively. In comparison, its NPL ratio for SMEs as at 31 December 2019, 2018 and 2017 was 13.2%, 8.6% and 5.6% and for agricultural clients was 10.4%, 5.8% and 3.3%, respectively. It is generally accepted that lending to the SME and agricultural segments represents a relatively higher degree of risk than comparable lending to other groups, and there can be no guarantee that the Issuer's impaired loans for such segments, or for any of the other segments to which it lends, will not materially increase in the near to medium term, in particular if there is a further deterioration in the macroeconomic conditions in Turkey or if the Issuer is unable to accurately model the risk associated with such clients or other borrowers to which it extends credit (see "*–The Issuer's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks*"). Furthermore, growth in the Issuer's loan portfolio is due to a strategy of lending growth and increasing loan demand, either of which may lead to deterioration in the underlying asset quality if, notwithstanding the credit risk determination procedures that the Issuer has in place, it is unable to evaluate correctly the financial condition or long-term viability of each borrower, and there is an increase in net loans to customer deposits ratios due to relatively slower growth in deposits, either of which could have a material adverse effect on the Issuer's business, financial condition, prospects and results of operations.

The Issuer is subject to credit risk in relation to its derivative financial assets

The Issuer also has a substantial portfolio of derivative financial assets, including currency forwards, currency and interest rate swaps and options. As of 31 December 2019, the Issuer's total recognised derivatives had a notional value of TL 140,008,213 thousand, and the fair values of the derivative assets and liabilities were TL 1,662,763 thousand and TL 880,875 thousand, respectively. The Issuer is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under these derivative financial assets. Furthermore, growth in the Issuer's loan portfolio may lead to an increase in net loans to customer deposits ratios, unless matched by deposit growth.

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

The Issuer may not have sufficient loan loss provisions

Security interests or loan guarantees provided in favour of the Issuer may not be sufficient to cover any losses in the event of default by debtors and may entail long and costly enforcement proceedings. For the year ended 31 December 2019, the Issuer's loan loss coverage ratio was 6.8%, which is higher than the Turkish Banking sector's loan loss coverage ratio (total loan provision / gross loans (including lease factoring)) of 5.0%. For the year ended 31 December 2019, the Issuer's NPL coverage ratio (total loan provision / NPLs) was 89.9%, which is lower than the Turkish Banking sector's NPL coverage ratio of 95.2%.

Although the Issuer believes that its current loan portfolio is well collateralised, using collateral types common in the Turkish banking sector, with similar quality and enforcement capacity to those commonly accepted in the market. If a customer of the bank were to default on its loan, the time and costs associated

with enforcing security interests in Turkey may make it uneconomical for the Issuer to pursue such proceedings, adversely affecting the Issuer's ability to minimise its loan losses.

Any decline in the value or liquidity of such collateral may prevent the Issuer from foreclosing on such collateral for its full value or at all, including in the event that a borrower becomes insolvent and becomes subject to bankruptcy proceedings, and could thereby adversely affect the Issuer's ability to minimise any loan losses, which could in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer is subject to liquidity and financing risks

The Issuer is exposed to liquidity risk, arising out of mismatches between the maturities of the Issuer's assets and liabilities, which together with increased market volatility and changes in general economic conditions, may contribute to the Issuer not being able to meet its net funding requirements at a reasonable cost, or at all. The Issuer primarily relies on short-term liabilities in the form of deposits (typically, term deposits with terms of 30 days to three months) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. As of 31 December 2019, customer deposits comprised 71% of the Issuer's total liabilities and equity and, of all deposits, 70% had maturities of three months or less.

There can be no assurance that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. Furthermore, in the past the Central Bank's policies have raised Turkish banks' reserve requirements for Turkish lira deposits which have limited Turkish lira liquidity by withdrawing funds from the market. In addition to customer deposits, which is the Issuer's major source of funding with 71% of its total liabilities and equity as at 31 December 2019, funding from financial institutions constitutes 12% of the Issuer's total liabilities and equity as at 31 December 2019. Although deposit growth has outpaced loan growth between 31 December 2018 and 31 December 2019, there is no assurance that this will continue. As of 31 December 2019, the Issuer's net loans to customer deposits ratio stood at 92%. If growth in the Issuer's deposit portfolio does not keep pace with growth in its loan portfolio, the Issuer may need to become more reliant on wholesale or other funding sources, including funding from Emirates NBD. An inability on the Issuer's part to access funds or to access the markets from which it raises funds may put the Issuer's positions in liquid assets at risk and lead the Issuer to be unable to finance its operations and growth plans on acceptable terms or at all. The Issuer may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

A rising interest rate environment could compound the risk of the Issuer not being able to access funds at favourable rates. These and other factors could lead creditors to form a negative view of the Issuer's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, the Issuer's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, a severe disruption of the financial markets or negative views about the prospects of the sectors to which the Issuer provides its loans. The Issuer's liquidity coverage ratio (LCR) was 179.3 as of 31 December 2019, and, while the Issuer aims to consistently maintain an adequate level of liquidity reserves, strains on liquidity caused by any of the foregoing factors or otherwise could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Despite the Issuer's liquidity policies, there can be no assurance that the Issuer will not experience liquidity issues in the future. In the event that the Issuer experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, wholesale funding becomes more difficult to obtain and this may adversely affect borrowing using certain capital market instruments including Eurobonds. In these circumstances it is possible that the Issuer would not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Issuer's inability to refinance or replace deposits and devalued assets with alternative funding could result in its failure to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, any of which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

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

The Issuer relies on short-term demand and time deposits as its primary source of funding, but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps.

In common with other Turkish banks, many of the Issuer's liabilities are demand and time deposits, whereas its assets are generally medium- to long-term (such as loans and mortgages). Although the Issuer has accessed wholesale funding markets (through syndicated loan facilities) and is issuing the Notes in order to diversify its funding sources, such short- to medium-term borrowings have not eliminated asset-liability maturity gaps.

As at 31 December 2019, 84.4% of the Issuer's funding (which includes amounts due to banks and financial institutions, customers' deposits and other borrowed funds including subordinated debt) had remaining maturities of one year or less or were payable on demand. As at the same date, the Issuer had a negative cumulative maturity gap (more short-term liabilities than short-term assets) of TL 71,294 million for the year ended 31 December 2019.

If a substantial portion of the Issuer's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Issuer fails to refinance some of its large short- to medium-term borrowings, the Issuer may need to access more expensive sources of financing to meet its funding requirements. No assurance can be given that the Issuer will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Issuer's inability to refinance or replace such deposits or the syndicated loans with alternative funding could materially adversely affect the Issuer's liquidity, business, financial condition, results of operations and prospects.

The Issuer is subject to risks in its activities in financial markets

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

The Issuer may be exposed to a number of risks related to changes in the value of such securities and derivatives, including the risk of unfavourable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Issuer chooses to hedge certain positions do not track the market value of those positions. Failure to earn profits or incurring losses from trading activities as the result of such risks could have a material adverse effect on the Issuer.

In addition, the Issuer has a portfolio of derivative securities which expose it to fluctuations in interest rates. As of 31 December 2019, total nominal derivative volume, including interest rate swaps, cross currency swaps and currency swaps amounted to TL 56.9 billion, of which all were classified as for trading and were held off the Issuer's balance sheet as at 31 December 2019. Nominal interest rates are sensitive to many factors beyond the Issuer's control, including monetary policies pursued by the Turkish government (the **Government**) and both domestic and international economic and political conditions.

Changes in interest rate levels may affect the value of the Issuer's assets sensitive to interest rates and interest spread, as well as the Issuer's net interest margins and borrowings costs.

The Issuer's results of operations substantially depend 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. The difference between average interest income and average interest expense is net interest margin. Net interest income contributed 68.7%, 75.8% and 82.1% of gross income (including interest expenses and fees and commissions paid) for the years ended 31 December 2019, 2018 and 2017, respectively. Net interest margin was 4.3%, 4.0% and 4.4% for the respective annual periods.

Interest rates are highly sensitive to many factors beyond the Issuer's control, including monetary policies pursued by the Government, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below. In particular, the Issuer may be affected by the Central Bank's policy which has previously seen a rapid reduction in interest rates (see "*–The profitability and profitability growth of Turkish banks, including the Issuer, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector"*).

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which are typically short-term and reset frequently) to increase more significantly and quickly than interest income from loans (which are short, medium and long-term), resulting in a reduction in net interest income. In addition, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. In addition, any prepayment of a loan could result in a loss of interest income during periods of falling interest rates, as the Issuer considers these loans as interest-bearing assets for balance sheet purposes and hedges accordingly. For a description of the Issuer's interest rate risk management, see "*Risk Management*".

The Issuer uses derivative instruments to seek to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions and firm commitments. However, there is a risk that these hedging arrangements will not be adequate to protect the Issuer from the risks of changing interest rates or that hedging counterparties may default, either or both of which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

Accordingly, any volatility in interest rates can significantly affect the Issuer's results of operation and financial condition.

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

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

In particular, the Issuer may be unable to correctly assess the creditworthiness of credit applicants. The Issuer uses internal models and scorecards (which incorporate credit bureau information), but the Issuer is not always independently able to confirm information provided by prospective clients and such models and scorecards could prove inadequate. Any failure of the Issuer's risk management procedures could also increase the Issuer's credit risk. See "*—The Issuer's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks*".

In addition, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Issuer calculates using mathematical models and the deterioration of assets like these could lead to losses that the Issuer has not anticipated. If the Issuer's measures to assess and

mitigate risk prove insufficient, then the Issuer may experience material unexpected losses that could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

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

A significant portion of the Issuer's assets and liabilities are denominated in foreign currencies, particularly U.S. dollars and euros. The Issuer translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/(losses) realised upon the sale of such assets, to Turkish Lira when preparing its financial statements. As a result, the Issuer's reported income is affected by changes in the value of the Turkish Lira against foreign currencies (primarily the U.S. dollar and euro). The overall effect of exchange rate movements on the Issuer's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. On average, management currently estimates that a 10% depreciation of the Turkish Lira against the dollar and euro would result in an average of 54bps CET1 and 48bps capital adequacy ratio erosion for the Issuer. However, due to the on-going COVID-19 pandemic, for the year ended 31 December 2020 the BRSA has permitted the Issuer to use the foreign exchange buying rates for the year ended 31 December 2019. For other coronavirus-related measures, see "*Turkish Regulatory Environment—Recent Coronavirus-related Measures*". In addition, the Issuer has a portfolio of derivative securities which expose it to fluctuations in the value of the Turkish Lira against foreign currencies. For a description of the Issuer's risk management strategies, see "*Risk Management*".

Until February 2001, it was the stated policy of the Central Bank to devalue the Turkish Lira against the U.S. dollar in line with inflation. However, in recent years the depreciation of the Turkish Lira has not been consistent with inflation rates as a result of a variety of factors, including both domestic and international factors. The value of the Turkish currency against the U.S. dollar has been volatile over the last years, primarily as a result of uncertainties surrounding the political and economic landscape. The Turkish Lira depreciated by 13.1%, 39.5% and 7.2% against the U.S. dollar, in 2019, 2018 and 2017, respectively. The exchange rate was TL 3.77 per U.S. dollar as of 31 December 2017, TL 5.26 per U.S. dollar as of 31 December 2018 and TL 5.95 per U.S. dollar as of 31 December 2019. As of 30 April 2020, the exchange rate was TL 6.98 per U.S. dollar, which highlights that volatility has not abated in the currency.

The Issuer is exposed to volatility in the securities markets

The Issuer has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Issuer's securities portfolio in 2017, 2018 and 2019, accounting for 8.6%, 9.8% and 7.9%, respectively, of its total interest income.

The Issuer's position in certain Government securities in particular, involves a risk that downward movements in the price of these securities could have a material adverse effect on the Issuer's business, financial condition and results of operations. The Issuer has a substantial portfolio of Government debt securities, which amounted to 9.8% of the Issuer's total interest earning assets as of 31 December 2019. Any default by the Government in the payment of its securities held by the Issuer would result in direct loss to the Issuer. In addition, a default by the Government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally. A continued decline in the returns from the Issuer's trading and investment securities, continued increased sales of Government securities and/or a decline in the market value of Government securities could lead to a material adverse effect on the Issuer's business, financial condition and results of operations.

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

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

If the Rating Agencies negatively revise current ratings or outlooks for Turkey, the Issuer or the Notes, such change could materially adversely affect the trading value of the Notes, the Issuer's ability to finance its

operations or the expected expansion of its business going forward. A change in credit rating could adversely affect the Issuer's calculation of its capital adequacy ratio. The Issuer calculates its capital adequacy ratio according to the 2016 Capital Adequacy Regulation published by the BRSA and uses Fitch ratings to calculate the risk-weighted assets for capital adequacy purposes. See "*Management Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy*".

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

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

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

A portion of the Issuer's total assets is comprised of securities issued by the Turkish government, and thus, in the case of a government default, there would be a direct negative impact on the Issuer in addition to a severe impact on the Turkish economy.

As at 31 December 2019, 9.3% of the Issuer's total consolidated assets were invested in securities issued by the Turkish government (6.9% and 7.4% as at 31 December 2018 and 2017). As at the date of this Base Prospectus, the sovereign debt of the Republic of Turkey was rated BB- with a stable outlook by Fitch, B1 with a negative outlook by Moody's and B+ with a stable outlook by Standard & Poor's. A significant portion of such Turkish government securities is inflation-linked and a prolonged period of low or negative inflation will have a material impact on the income received from such securities. Any default by the Turkish government in the payment of its securities held by the Issuer would result in direct loss to the Issuer. In addition, a default by the Turkish government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus could materially and adversely affect the Issuer's business, financial condition results of operations and prospects.

The Issuer's growth strategy, including branch expansion, could adversely affect its asset quality, profitability or capital ratios.

The Issuer plans to continue expanding its branch network and operations while continuing its focus on financial strength and performance. The Issuer intends to open more than 10 additional branches in the remainder of 2020 and approximately 10 additional branches in 2021. Risks associated with the implementation of the Issuer's growth strategy include: higher than anticipated costs of opening new branches; an inability to profitably deploy assets acquired or developed through expansion; new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than the Issuer anticipates; a failure to identify and offer attractive new services in a timely fashion relative to competitors; and pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, if any. There are also additional risks associated with expansion through acquisitions, including, among others, incorrectly assessing the asset quality of a particular acquisition, encountering greater than-anticipated costs of incorporating and integrating acquired businesses and diversion of management attention, facing resistance from customers or employees and being unable to deploy assets acquired through acquisitions. Any failure by the Issuer to

manage growth while at the same time ensuring that it maintains adequate focus on existing operations, including risk management systems and internal control processes, could have a material adverse effect on its asset quality, profitability and capital ratios, and in turn, on its business, financial condition, prospects and results of operations.

The interests of the Issuer's controlling shareholder may not coincide with the interests of the Noteholders and transactions entered into with such shareholders may not be at arm's length.

Emirates NBD (the **Controlling Shareholder**) owned 100.00% of the outstanding share capital of the Issuer as at 31 December 2019. The Controlling Shareholder has the power to elect all of the Issuer's directors and to determine the outcome of most matters to be decided by a vote of shareholders of the Issuer. There can be no guarantee that the interests of the Controlling Shareholder will coincide with those of the Noteholders.

Although the Issuer has not experienced pressure from the Controlling Shareholder to date to conduct transactions with parties related to, or affiliated with, such Controlling Shareholder, upon more favourable terms than it would otherwise apply, or to deviate from its credit and lending policies and procedures, there is no guarantee that the Issuer may not come under pressure to enter into investments with a lower profit margin than it would otherwise pursue, or to provide financing to certain companies or entities on favourable or non-market terms, in the future. Such activities, if permitted by BRSA and CMB rules, Turkish tax provisions or the Conditions of the Notes, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

The Issuer relies heavily upon information systems to conduct its business, particularly during the on-going COVID-19 pandemic. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If the Issuer's information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thereby lose business. Likewise, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. In addition, despite its investments in IT infrastructure, failure to update and develop the Issuer's existing information systems as effectively as its competitors may result in a loss of the competitive advantages that it believes its information systems provide. Although the Issuer has developed business continuity plans, back-up systems and a disaster recovery centre in Ankara, and expects to be able to continue its critical operations through regions, branches and digital channels in case of an emergency, no assurance can be given that failures will not occur. As part of its two year investment strategy, significant investment has been made for disaster recovery and cyber security infrastructure, but such effort may be insufficient.

As a result of the on-going COVID-19 pandemic, the Issuer has implemented alternative working arrangements which increase the Issuer's dependence on its information systems to conduct its business. Specifically, the Issuer's branch employees work one week alternately on a planned basis, and the majority of the Issuer's head office personnel has been working remotely as well, which has increased the Issuer's dependence on its IT systems. During the pandemic, the Issuer's remote connection facilities have fully complied with the Issuer's requirements, and the Issuer has also implemented an additional awareness campaign on information security. Currently the Issuer's IT technology framework matches the Issuer's requirements as well as service-level agreements signed with third parties. The Issuer uses inbound traffic isolation, antivirus, whitelisting and endpoint detection and response technologies which are consistently updated. The Issuer's IT systems are constantly monitored consistent with best practices, and its security services are actively managed by log analysis. The Issuer's technical staff is available for every operational unit and work permits are coordinated with legal bodies. Although the Issuer follows best sector practices and has invested in its IT infrastructure, the Issuer's IT infrastructure could fail to meet business needs due to the unexpected workload placed on its remote services, which may lead to business interruptions, which could have could have a material adverse effect on the Issuer's business, competitive advantages, financial condition, results of operations and prospects.

The Issuer's business may be subject to labour disputes

The Issuer is exposed to the risk of labour disputes, work stoppages and other industrial actions, which could disrupt operations or make them more costly. Although the Issuer's employees are not unionised, the Issuer has not experienced any work stoppages or labour disputes in recent years, there can be no assurance that the regulation in force will not change or that work stoppages or labour disputes will not occur in the future. If employees engage in a prolonged work stoppage or strike, it could have could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer is subject to operational risk

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

The Issuer is dependent on its senior management and other personnel

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

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

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

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

The Issuer may not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and reputational damage.

Although the Issuer has implemented comprehensive anti-money laundering and anti-terrorist financing (**AML**) and "know your customer" (**KYC**) policies and procedures and seeks to adhere to all requirements under Turkish legislation and Emirates NBD's compliance rules and regulations, aimed at preventing it being used as a vehicle for money laundering and the financing of terrorist activities, there can be no assurance that

these policies and procedures will be completely effective. If the Issuer in the future fails to comply with timely reporting requirements or other AML or KYC regulations and/or is associated with money laundering (including illegal cash operations) or terrorist financing, the Issuer could suffer serious damage to its reputation, including among its network of correspondent banks in foreign countries, which could affect its ability to maintain existing relationships, attract new business and provide services to its customers. The Issuer could also become subject to fines, sanctions and/or other criminal or regulatory penalties (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Issuer), which could materially adversely affect the Issuer's business, financial condition and/or results of operations.

Any event or series of events affecting the risk profile of the Issuer's credit exposure to related parties could have an adverse effect on its financial condition.

The Issuer's related party loans and advances, net on a consolidated basis amounted to TL 448 million, or 0.3% of the Issuer's total consolidated loans and advances to customers portfolio, as at 31 December 2019. The Issuer's related party credit-related commitments on a consolidated basis amounted to TL 37 million, or 0.1% of the Issuer's total non-cash loans (excluding commitments), as at 31 December 2019. The Issuer's related parties also maintained total deposits and other borrowings on a consolidated basis of TL 8,321 million with the Group representing 4.9% of the Issuer's total customer deposits and funds borrowed, including subordinated debt facilities. In addition, the Issuer holds equity participations in other subsidiaries engaged in certain financial service activities.

If any event or series of events were to adversely affect the risk profile of DenizBank's credit exposure to affiliated companies, the availability of deposits from affiliates, or the investment value of its shares in affiliated companies, there could be a material adverse effect on DenizBank's business, financial condition, results of operations and prospects.

Risks Related to Turkey

As of 31 December 2019, the majority of the Issuer's total assets and operations were in Turkey. Therefore, the Issuer's business and results of operations are primarily affected by political and economic conditions in Turkey.

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

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

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

repeat local elections were held on 23 June 2019 and resulted in the transition of the control of İstanbul municipality from AKP to the main opposition party the Republican People's Party (*Cumhuriyet Halk Partisi*). All these factors could significantly impact investors' perceptions of Turkey and its future growth.

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

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

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

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

In the referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution. Such amendments include articles to extend the powers of the president. As a result (*inter alia*): (a) the then-current parliamentary system has been transformed into a presidential one, (b) the president has been entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister has been abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the cabinet members has been annulled and (e) the president has increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*)). Most of the amendments brought by the referendum entered into force through the early elections that were held on 24 June 2018. It remains unclear, as of the date of this Base Prospectus, what impact such structure might have in the future on Turkish government institutions. As such, political uncertainty is likely to continue.

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

Increased political risks following the coup attempt of July 2016

Turkey has also experienced controversies between the Government and the military. On 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. On 20 July 2016, after the failed coup attempt, the Turkish President announced, pursuant to Article 120 of the Turkish Constitution, a nationwide state of emergency, which was extended ultimately until July 2018, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months. The state of emergency, however, ended in July 2018.

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

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

the Turkish economy with an improved current account balance, however noting Turkey's gross external financing requirement as a source of vulnerability. On 12 November 2019, following its revision of Turkey's long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable, including that of the Issuer. For further discussion of the risks associated with the credit ratings of Turkey and the Issuer see "*—Risks Related to the Issuer's Business—The Issuer's capital adequacy ratio and its ability to obtain funding may be affected by changes to its credit ratings and the credit ratings of Turkey*"

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

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

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

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Syria, Iraq, Egypt, Libya, Tunisia, Jordan, Bahrain and Yemen. Tensions have also increased between a number of Middle Eastern states, notably Iran and Saudi Arabia. In particular, Turkey has a military cooperation agreement with Libya's UN-recognised government and the Turkish military has recently been engaged in operations in Libya, which risk increasing tension with Russia, who supports an opposing side in the on-going conflict in Libya. Unrest in these countries (as well as global tensions with Iran and between Russia and Ukraine) may have political implications in Turkey or otherwise have a negative impact on Turkish economy, including through both financial markets and the real economy.

Risks associated with the conflicts in Syria and Iraq

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

In 2014, ISIL and aligned forces began a major offensive in northern Iraq against the Iraqi government, capturing several cities and other territory in this region and oil fields in eastern Syria. In August and September 2014, a U.S. led coalition began an anti-ISIL aerial campaign in northern Iraq and Syria. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against ISIL in Syria and against the People's Congress of Kurdistan, also known as the Partiya Karkerê Kürdistanê or PKK in northern Iraq. Although the Issuer does not have significant direct exposure with respect to Iraq, many Turkish companies, including many of the Issuer's clients, do have such exposure. Therefore, the unrest in Syria and Iraq could have a material negative impact on the Turkish economy, the business of the Issuer's clients and consequently also the Issuer.

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

On 25 September 2017, the Kurdish Regional Government in Northern Iraq held a referendum for the independence of the region administered by the Kurdish Regional Government in Northern Iraq. Turkish government officials announced that Turkey will not recognise the outcome of the referendum and might take punitive measures, including economic sanctions (e.g. cutting off the pipeline that allows the transport

of oil from Northern Iraq to third countries) and closing its airspace and border crossing to Northern Iraq. On 16 October 2017, Turkey closed its airspace to the Northern Iraqi Kurdish region and, in 2018, the Turkish military began a cross-border operation in Northern Iraq to prevent terrorist activities against Turkey. As of the date of this Base Prospectus, the possible political and economic impact of such referendum remains unknown.

On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey deems to be terrorist organisations. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria following a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, escalating tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation to be an appropriate response to the suspected chemical attack. Any impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown. In the meantime, the Turkish military's operations against organisations that Turkey deems to be terrorist organisations continue in Syria. Given the continuing hostilities in Syria and the number of parties involved, it is very difficult to predict the impact of the continuing tensions on the geopolitical stability in the broader region, including Turkey, and any potential resulting adverse effect on the Turkish economy, as well as on the Issuer's business, financial condition, results of operations and prospects.

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

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Given Turkey's close proximity to the conflict zone, Turkey has deployed additional troops near the Syrian border since the beginning of the conflict to strengthen its military position. In August 2016, Turkey's military began direct operations in Syria to combat ISIL and the People's Protection Units, a Kurdish separatist group in northern Syria. The Presidency made a statement after the Turkish Security Council meeting of 30 July 2019 chaired by the President Recep Tayyip Erdoğan, that Turkey will continue its operations against the PKK in the northern Iraq and is determined to make efforts to create a "peace corridor" along the Turkish border with Syria. On 9 October 2019, the Turkish Air Force launched "Operation Peace Spring" with airstrikes in northern Syria intended to expel armed groups which the Turkish Government views as terrorist organisations, including the Syrian Democratic Forces (**SDF**) which Turkey views as linked to the PKK, from the border area and create a "peace corridor". On 14 October 2019, the President of the United States issued an executive order and the OFAC added the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence, as well as the relevant ministers, to its list of specially designated nationals and blocked persons. Several European countries imposed an arms embargo on Turkey. On 17 October 2019, the U.S. and Turkey agreed on a deal in which Turkey agreed to suspend its operations in Syria for 5 days in return for a complete withdrawal by the SDF from a safe zone south of the Syria-Turkey border. On 22 October 2019, the President of Turkey Recep Tayyip Erdoğan and the President of the Russian Federation Vladimir Putin agreed to maintain the status quo in the northern Syria reached as a result of "Operation Peace Spring". On 23 October 2019, the President of the United States announced that there was a "permanent" ceasefire in the region and sanctions on Turkey would therefore be lifted. On 29 October 2019, in response to the recent operations in northern Syria, the U.S. House of Representatives passed a bill with a majority of 403 votes to 16, envisaging potential sanctions on Turkey, Türkiye Halk Bankasi A.Ş. and on any foreign financial institution that the U.S. State Department determines to have knowingly facilitated significant transactions for the Turkish Armed Forces or Turkey's defence industry related to "Operation Peace Spring"; however, such bill has not been introduced to the Senate yet and does not have legal effect as of the date of this Base Prospectus. In February 2020, 33 Turkish soldiers were killed in a Syrian government attack in Idlib, and Turkey launched a significant retaliatory attack in response; these actions risk escalating the on-going conflict. As a result of any further events in northern Syria (including continued operations of Turkey), tensions with international stakeholders could further increase, and Turkey may face increased economic and/or security risks, if terrorists seek to retaliate for increased military actions, or if the U.S. or European countries take restrictive or punitive actions against Turkey, Turkish economy or Turkish institutions. Such restrictive or punitive actions, escalating diplomatic and political tensions with the U.S. or other countries, and/or other political

circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Issuer's business, financial condition and/or results of operations and/or on the market price of the Notes. In addition, any escalation of political instability or international military intervention in Syria and/or a more aggressive stance by Assad's allies, Russia, Iran, and China against Turkey and opposition supporters may act as a destabilising factor for Turkey.

Risks from events affecting Turkey's relationship with Russia

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

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

In addition, in early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea (followed by Crimea's independence vote and absorption by Russia) have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, persons and sectors, including Russian financial, oil and defence companies, as a result of the conflict. While not directly impacting Turkey's territory, the dispute could negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies. This, in turn, may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey retaliated by issuing a statement that restricts the visa application process for United States citizens. While visa services have since returned to normal, relations between the two countries remained strained on various topics, including the conviction of an executive of a state-controlled bank, Türkiye Halk Bankası A.Ş. (who was released in July 2019 after serving his sentence), for bank fraud and conspiracy to violate U.S. sanctions laws in assisting Iran to evade U.S. sanctions and the related judicial process against Türkiye Halk Bankası A.Ş. Furthermore, in August 2018 the United States had imposed sanctions on two Turkish ministers and increased import taxes on Turkish steel and aluminium. Nonetheless, on 12 October 2018, a Turkish court released a detained American pastor who had been arrested in October 2016, and the United States removed the sanctions imposed on Turkish ministers. In addition, on the week of 2 November 2018, certain U.S. sanctions on Iranian financial and energy sectors and on certain other imports from Iran, were re-imposed. Nevertheless, the United States granted Turkey a partial exemption allowing it to import limited amounts of oil from Iran for six months. However, such exemption was not renewed at the end of the six month period and it remains uncertain whether Turkey will, or will be able to, comply with such U.S. sanctions against Iran. Any similar events in the future, including any operations of the Turkish armed forces in Syria targeting organisations that Turkey deems to be terrorist organisations related to People's Congress of Kurdistan (also known as the Partiya Karkerê Kürdistanê or PKK), in connection with the potential U.S. withdrawal from Syria, including any restrictive or punitive actions adopted by the U.S. and/or EU institutions in connection with operations and/or actions of Turkey in the northern Syria and/or Turkey's compliance with any further prospective U.S. sanctions against Iran might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have a

negative impact on the Turkish economy. The relationship with the United States was also impacted by Turkey's agreement to acquire a U.S.$2.5 billion S-400 air and missile defence system from Russia in December 2017. In response, the United States announced that Turkey will be removed from the F-35 program under which Turkey acquires fighter jets from the United States and the United States has threatened further sanctions. As of the date of this Base Prospectus a bill to impose new sanctions as the result of Turkey's acquisition of the S-400 defence system and for Turkey's military involvement in Syria is under consideration in the U.S. Senate. As such, political uncertainty might continue. Furthermore, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the judicial process against Türkiye Halk Bankasi A.Ş.) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. As of the date of this Base Prospectus, the final outcome in relation to the judicial process, including any appeal and whether any sanction, fine or penalty will be imposed by the Office of Foreign Assets Control (**OFAC**) or any other U.S. regulatory body on Türkiye Halk Bankasi A.Ş. or any other Turkish bank or person in connection with those matters, as well as the possible reaction of the financial markets to any such events or speculation regarding such events, is unknown. Actual or perceived political instability in Turkey, escalating diplomatic and political tensions with the United States or other countries, and/or other political circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Issuer's business, financial condition and/or results of operations and/or on the market price of the Notes.

Risks from events affecting Turkey's relationship with the EU

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

On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy. Diplomatic or political tensions between Turkey and member states of the EU or other countries might impact trade or demand for imports and exports.

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

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

Risks relating to domestic terrorism

Terrorist attacks and the threat of future terrorism have had and could continue to have a material adverse effect on Turkey's capital markets, the level of tourism, foreign investment and other elements of the Turkish economy and ultimately on the Issuer's financial condition and results of operations. Turkey experienced

increasing incidents of terrorist attacks in 2016, both from ISIL and the People's Congress of Kurdistan, also known as the Partiya Karkerê Kürdistanê or PKK. On 29 June 2016, a terror attack struck Istanbul's Atatürk International Airport, which resulted in at least 42 people killed and more than 230 injured. On 10 December 2016, 44 people were killed and more than 160 were injured as a result of twin bombings in central Istanbul, whereas the attack was claimed by TAK, a PKK splinter group. On 1 January 2017, 39 people were killed and 69 were injured following a shooting in a nightclub in Istanbul. The attack was linked to ISIL. On 5 January 2017, two people were killed and 11 other were wounded in a terrorist attack in Izmir which was further claimed by TAK. While the Issuer's property and business interruption insurance covers damage to insured property directly caused by terrorism, such amounts may be insufficient to cover any losses that it may incur.

Other risks from events affecting Turkey's international relations

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

The Turkish government may default on its debts

Turkish banks have traditionally invested a large portion of their assets in securities issued by the Government. As of 31 December 2019, 93.7% of the Issuer's securities portfolio was invested in securities issued by the Government (representing 9.3% of its total assets), compared to 93.3% as of 31 December 2018 (representing 6.9% of its total assets). The Issuer's securities to assets ratio was 9.9% as of 31 December 2019, in comparison with the 15.7% average for private banks (as of 31 December 2018, the Issuer's ratio was 7.4%, with the average for private banks being 13.6%). In addition to any direct losses that the Issuer might incur, a default, or the perception of an increased risk of default by the Government in making payments on its securities or the downgrade in Turkey's credit rating would likely have a significant negative impact on the Turkish banking system generally and thus may affect the Issuer's business, financial condition and/or results of operations.

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

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

Although prior policies have had some success in reducing inflation from its formerly high levels, inflation has increased again in recent years and such policies may not be successful in the future, especially given Turkey's substantial current account deficit and global liquidity conditions. The yearly CPI for 2016 was 8.53%. As of June 2017, CPI stood at 10.9%, mainly driven by an increase in the price of alcoholic beverages and tobacco, transport and healthcare services. As at 31 December 2017, CPI stood at 11.9%, mainly driven by the pass-through effects of the depreciation of the Turkish Lira and rising food prices. As at 31 December 2018, CPI stood at 20.30%, mainly driven by an increase in the prices of home appliances and food and non-alcoholic beverages. As at 31 December 2019, CPI stood at 11.84%, mainly driven by an increase in the price of food, transportation, both alcoholic and non-alcoholic beverages, and tobacco.

If the level of inflation in Turkey fluctuates or increases significantly (for any reason), then the Issuer's costs may increase, and, if not accompanied by an increase in interest rates, then its operating and net margins may decrease. Inflationary pressures may also curtail the Issuer's ability to access foreign financial markets and may lead to further Government intervention in the economy, including the introduction of Government

policies that may adversely affect the overall performance of the Turkish economy. The various impacts of inflation thus may have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

The Central Bank closely monitors the U.S. Federal Reserve's actions and takes action to maintain price and financial stability. Between December 2015 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% nine times. However, in July 2019, the U.S. Federal Reserve halted its rate-increasing cycle, cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on 1 August 2019, two months earlier than planned. The U.S. Federal Reserve further cut the U.S. federal funds rate by 0.25% in each of July, September and October 2019. In March 2020, the U.S. Federal Reserve reduced rates by a further 0.50% in response to the on-going outbreak of COVID-19, and later that month, further reduced its interest rates by an additional 1.00% to a target range of 0% to 0.25%. Whether the U.S. Federal Reserve will further cut the U.S. federal funds rate, or rather increase the rate, and the impact of such changes is uncertain. The Turkish Lira and certain other emerging market currencies may depreciate against the U.S. dollar if the U.S. Federal Reserve does not ease monetary policy to the degree expected by the financial markets. Primarily due to changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. dollar by 30% from the second quarter of 2017 to the second quarter of 2018, and from TL 4.56 to 1 U.S. dollar at the end of June 2018 to TL 6.88 to 1 U.S. dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States. Nevertheless, due to, among other factors, tight monetary stance of the Turkish Central Bank and favourable monetary stance of the developed-country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated from TL 6.55 to 1 U.S. dollar at the end of August 2018 to as low as TL 5.47 to 1 U.S. dollar in August 2019 and stands at TL 6.11 to 1 U.S. dollar as of 21 February 2020.

The size of Turkey's current account deficit or adverse changes in its balance of payments position (including the availability of external financing for Turkey) could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on the Issuer's business, financial condition and/or results of operations. On a 12-month basis, Turkey's current account deficit declined to U.S.$29.4 billion as of June 2016. However, the trend of decline reversed in the third quarter of 2016 due to the depreciation of the Turkish Lira against the U.S. dollar. Turkey had current account deficits of U.S.$32.6 billion (3.8% of GDP) in 2016, U.S.$47.2 billion (5.5% of GDP) in 2017. However, Turkey's current account deficit significantly decreased to U.S.$27.0 billion (3.4% of GDP) in 2018, on a 12-month basis, and the current account reached a surplus of U.S.$8.7 billion (1.2% of GDP) in 2019, on a 12-month basis. Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey), as well as an increase in energy prices, might result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues.

Turkey is an energy-dependent country and any geopolitical development concerning energy security could have a material impact on Turkey's current account balance. Turkey recorded U.S.$24.0 billion of net energy imports in 2016. In 2016 Turkey's current account deficit reached U.S.$32.6 billion and energy imports represented 15.1% of Turkey's total imports during 2016. In 2017, Turkey's current account deficit and net energy imports stood at U.S.$47.2 billion and U.S.$32.9 billion, respectively. In 2018, Turkey's current account deficit and energy imports were U.S.$27.0 billion and U.S.$38.6 billion, respectively. In 2019, Turkey's current account surplus and energy imports were U.S.$1.7 billion and U.S.$41.2 billion, respectively. Recovering oil prices from 2016 to 2018 have had an adverse impact on Turkey's current account balance and may face further adverse impacts if oil prices continue to increase. In early 2020, oil prices collapsed, and Turkey's net current account balance for energy decreased to negative U.S.$2,621 million for February 2020 from negative U.S.$2,760 million for February 2019 due in part to a decrease in imports to U.S.$3,136 million for February 2020 as compared to U.S.$3,388 million for February 2019. If geopolitical tensions escalate in the Middle East and lead to further concerns around global energy supply, such as any events prejudicing the oil trade in the Strait of Hormuz or any country which is a major global oil supplier (such as Saudi Arabia) or any prospective sanctions imposed by the United States and/or the EU on Iran; oil prices may increase and this may entail a higher current account deficit for Turkey. A higher current account deficit may have an adverse effect on the overall performance of the Turkish economy and

thus may have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

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

The value of the Turkish Lira fluctuates against other currencies

Macroeconomic uncertainties may result in volatility in the value of the Turkish Lira, which could in turn adversely impact the Issuer's capital adequacy and, if there is any downturn in the global financial markets, this could have an adverse effect on Turkey's debt servicing ability. In particular, the value of the Turkish Lira depreciated against major currencies in the recent years largely due to the increased risk perception in global markets regarding Turkey, the market's expectation of the U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey and other political events. See "*—Political developments in Turkey may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.*" In nominal terms, the Turkish Lira depreciated against the U.S. dollar by 7.2% between 31 December 2016 and 31 December 2017 and by 39.5% between 31 December 2017 and 31 December 2018. The Turkish Lira depreciated from TL 4.56 to 1 U.S. dollar at the end of June 2018 to TL 6.88 to 1 U.S. dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States, causing the Central Bank and the BRSA to announce measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated to TL 6.14 to 1 U.S. dollar, but has continued to exhibit substantial volatility with continuing pressure. In the third quarter of 2019, the Turkish Lira depreciated against the U.S. dollar by 7.6%, from TL 5.26 to 1 U.S. dollar as at 31 December 2018, to TL 5.95 to 1 U.S. dollar as at 31 December 2019.

Between December 2015 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25% nine times. Primarily due to changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. dollar by 30% from the second quarter of 2017 to the second quarter of 2018. In this context, the Central Bank has taken certain actions against the Turkish Lira's depreciation: (i) in April 2018, the Central Bank increased its highest interest band, the late-liquidity window lending rate, by 75 bps to 13.5%, (ii) on 23 May 2018, it increased the same rate to 16.5%, (iii) on 28 May 2018, it announced that the decision to set the one-week repo rate as the policy rate effective as of 1 June 2018, at a level equal to the then-current late-liquidity window lending rate, 16.5%, as part of its efforts of simplifying the monetary policy, and (iv) on 7 June 2018, it raised that policy rate by 125 bps to 17.75%. However, in its monetary meeting on 24 July 2018, the first since the snap general and presidential elections held on 24 June 2018, the Central Bank did not raise the policy rate, leading to an appreciation of the U.S. dollar against the Turkish Lira of 1.6% from 24 July 2018 to 25 July 2018. Furthermore, from 29 June 2018 to 13 August 2018, the Turkish Lira depreciated from TL 4.56 to 1 U.S. dollar, to TL 6.88 to 1 U.S. dollar, based on various factors, including: (i) the imposition of sanctions by OFAC over the detention of an American pastor, which included the freezing of assets of the Turkish Minister of Justice and Interior Minister and the doubling of U.S. tariffs on steel and aluminium imports from Turkey, and the possibility of further increases in political tension between the United States and Turkey, (ii) the tightening, and the potential of further tightening, of the monetary policy in the United States and Europe, (iii) concerns over the external financing requirements of the Turkish Treasury's and certain Turkish companies' foreign-currency denominated debt, (iv) concerns around the Central Bank's interest rate policy, particularly in relation to real interest rates, and (v) investors' perception of the Turkish political and economic environment, especially with respect to the independence of Turkey's financial institutions, including the Central Bank. On 13 August 2018, the Central Bank announced certain Turkish Lira and foreign-currency liquidity management measures, including increasing the foreign-exchange deposit limits of the Turkish banks, in order to ensure the financial stability and the efficiency of the financial markets. Furthermore, on 14 August 2018, the

Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements and (i) lowered the Turkish banks' Turkish Lira reserve requirement ratios by 250 bps for all maturity brackets and all liabilities and (ii) lowered the reserve requirement ratios by 400 bps for up to 3-year maturities, and all foreign-exchange liabilities other than deposits. In addition, in the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate, at 150 bps above the one-week repo rate, as the main lending rate. The BRSA has also taken certain measures against the depreciation in the Turkish Lira, including the prevention of Turkish banks from using foreign-exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25% of the banks' regulatory capital, calculated daily on a standalone and consolidated basis. Following the announcement of these measures, the Turkish Lira appreciated from TL 6.88 to 1 U.S. dollar as at 13 August 2018, to TL 6.14 to 1 U.S. dollar as at 15 August 2018. Further, on 13 September 2018, the Central Bank increased the policy interest rate (one-week repo rate) from 17.75% to 24%, which led to an appreciation in Turkish Lira by 19.7% against the U.S. dollar, from TL 6.55 to 1 U.S. dollar at the end of August 2018, to TL 5.26 to 1 U.S. dollar as at the end of December 2018, along with other factors including the release by a Turkish court of a detained American pastor in October 2018, and the subsequent removal by the United States of the sanctions imposed on Turkish ministers.

In July 2019, the Central Bank cut the one-week repo rate by 425 bps to 19.75%, whereas the U.S. Federal Reserve halted its rate-increasing cycle and cut the U.S. federal funds rate by 0.25% and announced its decision to halt the reduction in its balance sheet on August 1, two months earlier than planned. In this context, due to, among other factors, tight monetary stance of the Turkish Central Bank and favourable monetary stance of the developed-country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated by 4.0% from TL 5.76 to 1 U.S. dollar as at 28 June 2019, to TL 5.52 to 1 U.S. dollar, as at 1 August 2019. Further, the Central Bank continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019 and by 200 bps to 12.00% in December 2019, by 75 bps to 11.25% in January 2020, by 50 bps to 10.75% in February 2020, by 100 bps to 9.75% in March 2020 and finally by 100 bps to 8.75% in April 2020. In the same period, the U.S. Federal Reserve cut the U.S. federal funds rate further by 0.25% in each of its Federal Open Market Committee meetings of September 2019 and October 2019, lowering the target range for the federal funds rate to 1.50% to 1.75%. If the Central Bank lowers the one-week repo rate faster than expected and/or the U.S. Federal Reserve does not further lower the U.S. federal funds rate, while at the same time, the Central Bank further cuts the one-week repo rate; the Turkish Lira may depreciate against the U.S. dollar, which may adversely affect the financial condition of the clients of the Issuer, their ability to service debts owed to the Issuer, the Issuer's ability to service its foreign currency denominated liabilities (including any liabilities under the Notes) and/or Turkey as a whole.

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

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

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

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

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

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

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

However, the Turkish economy has also experienced a succession of financial crises and severe macroeconomic imbalances. These include substantial budget deficits, significant current account deficits, high rates of inflation and high real rates of interest. These factors have resulted in a substantial depreciation of the Turkish Lira against major foreign currencies, particularly between 1994 and 2001. As of 30 September 2019, the EU-defined, general government nominal debt to GDP ratio was 32.1%. This ratio has remained relatively stable and was 28.2%, 28.2% and 30.4% as of 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

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

In March 2019, the United States announced that imports from Turkey and India would no longer be eligible for tariff relief under the "*Generalized System of Preferences*" programme, which programme seeks to promote economic growth in countries identified as developing countries. In Turkey's case, the United States cited Turkey's rapid economic development since its entry into the programme and that it thus no longer qualified to benefit from these tariff preferences. Regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey's economy and/or the financial condition or one or more industries within Turkey.

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

In October 2016, the government announced a three year medium-term economic program from 2017 to 2019. Under this program, the government set growth targets of 4.4% for 2017 and 5.0% for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. In October 2017, the Ministry of Development announced a new medium-term economic program, covering the years from 2018 to 2020, setting growth targets of 5.5% for each of 2018, 2019 and 2020, and inflation rates of 7.0%, 6.0% and 5.0% for 2018, 2019 and 2020, respectively. This medium-term economic programme was replaced in September 2018 by a new medium-term economic programme (the

New Economic Programme) announced by the Turkish Treasury, which includes projections for 2018 to 2021. According to the New Economic Programme, GDP growth estimates were revised to be 3.8%, 2.3%, 3.5% and 5.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as only 2.8%) and the inflation rate was estimated to be 20.8%, 15.9%, 9.8% and 6.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 and 2019 figures have since been announced as 20.3% and 11.8%, respectively). The New Economic Programme was updated in October 2019. The updated New Economic Programme set the GDP growth estimates as 0.5% for 2019 and 5.0% for each of 2020, 2021 and 2022. Further, it has estimated the inflation rate as 12.0%, 8.5%, 6.0% and 4.9% for 2019, 2020, 2021 and 2022, respectively. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy while maintaining a lower funding rate, the current account deficit and macroeconomic and political factors, such as changes in oil prices and uncertainty related with conflicts in Iraq and Syria (See "*—Conflict and uncertainty within Turkey or in neighbouring and nearby countries may have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects*") and the political developments in Turkey, including the uncertainty resulting from the structural changes to implement the new constitutional presidential system entered into force with the snap general and presidential elections held on 24 June 2018. (See "*—Political developments in Turkey may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects*").

Any of these developments might cause Turkey's economy to experience macro-economic imbalances, which might impair the Issuer's business strategies and/or have a material adverse effect on the Issuer's business, financial condition and/or results of operations. See "*—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Issuer, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector".*

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

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate related projects and various energy-related projects (including renewables and non-renewables). For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism, which might or might not in fact occur in light of geopolitical, economic or other factors. Any such overdevelopment might lead to a rapid decline in prices of these and other properties, or to the failure of some of these projects. Even if these events do not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of these events occur, then this could have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

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

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

On 31 January 2020, the United Kingdom (the **UK**) withdrew from the EU (**Brexit**) and entered into a transition period set to expire on 31 December 2020. Following the end of the transition period, there may be changes in the legal rights and obligations among commercial parties in the United Kingdom and the EU, including (among others) financial institutions. As of the date of this Base Prospectus, the situation and short and long-term consequences of Brexit remain highly uncertain, including the possible impact on European and global economic and market conditions and the possible impact on Sterling, euro and other European currencies. Brexit may lead to volatility in financial markets and may lead to liquidity disruptions or market dislocations. In addition, any future withdrawal by another Member State from the EU and/or European Monetary Union, any significant changes to the structure of the EU and/or European Monetary Union or any

uncertainty as to whether such a withdrawal or change might occur could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Risks Related to the Turkish Banking Industry

The Turkish banking system is subject to systemic risks

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

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

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

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

The level of competition in the Turkish banking sector has remained intense in the past several years as a result of the increased presence of public banks in the private sector and foreign bank interest in Turkey. According to the BRSA, as of 30 September 2019, the top seven banking groups in Turkey, three of which are state-controlled, held in aggregate, approximately 76% of the Turkish banking sector's total loan portfolio, approximately 74% of total banking assets in Turkey and approximately 80% of total deposits in Turkey. Loan growth in the banking sector in Turkey was 17% during 2016, 21% during 2017, 14% during 2018 and 11% during 2019, while deposit growth was 17%, 16%, 19% and 26%, respectively, according to BRSA weekly data.

In addition to private banks, the Issuer also faces competition from state-owned financial institutions, such as Halkbank, Vakıfbank and Ziraat. These government-owned financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector (including retail and SMEs), thereby increasing competition and pressure on margins. In particular, such government-owned institutions may have access to payroll accounts of state employees, low cost deposits (on which such institutions pay low or no interest) through State Economic Enterprises owned or administered by the Government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-owned financial institutions, in addition to ongoing competitive pressures from private financial institutions, have caused net interest margins to decline across the Turkish banking market. The Issuer was ranked eighth among all Turkish banks and fifth among private banks in terms of total consolidated assets as at 31 December 2019. Accordingly, some of the Issuer's competitors have greater financial resources and distribution networks (including the size of their existing customer base, branches and alternative distribution channels).

During recent years, foreign banks have shown an increased interest in the banking sector in Turkey. Foreign banks such as BNP Paribas, Banco Bilbao Vizcaya Argentaria S.A., Industrial and Commercial Bank of

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

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

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

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

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

The Central Bank adjusts from time to time the monthly cap on individual credit card interest rates, which was reduced most recently on 6 April 2019 from 2.25% to 2.15% to 2.0% on 29 June 2019, to 1.60% on 28 September 2019 and to 1.40% on 28 December 2019. Further, on 16 October 2019, the Central Bank introduced an amendment to cap the commission rates applied by the banks in their point of sale (**POS**) business at 1.60%. The Central Bank recently issued two new communiqués, namely the Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profit and Loss Participation Rates (Mevduat ve Kredi Faiz Oranları ve Katılma Hesapları Kâr ve Zarara Katılma Oranları Hakkında Tebliğ) (**New Communiqué on Deposit and Loan Interest Rates**) and the Communiqué on Procedures and Principles of Fees to be Collected by Banks from Commercial Customers (Bankalarca Ticari Müşterilerden Alınabilecek Ücretlere İlişkin Usul ve Esaslar Hakkında Tebliğ) (**Communiqué on Commercial Customer Fees**), both of which were published in the Official Gazette dated 10 February 2020 and numbered 31035, and became effective as of 1 March 2020 (and for the Communiqué on Commercial Customer Fees, most of the provisions relating to the fees has become effective as of 1 April 2020). The New Communiqué on Deposit and Loan Interest Rates, which abolished and replaced the Communiqué on Deposit and Loan Interest, does not have any provisions regulating the POS commission rates; however, it introduced a cap on the interest rate applicable to demand deposit accounts. Accordingly, the interest rates applicable to deposit accounts are determined freely by the banks, except for the rates applying to demand deposit accounts, which cannot exceed 0.25% annually. See "*Turkish Regulatory Environment—Caps on Credit Card Interest Rates and POS Commission Rates*".

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

See "*Turkish Regulatory Environment*" for details on these amendments and other regulations impacting the Issuer.

Non-compliance with regulations may expose the Issuer to fines and other repercussions. The fine was imposed against most Turkish banks as a result of the investigation of the Turkish Competition Board regarding the violation of the fourth article of the Protection of Competition Law No. 4054. In addition, the Issuer has in the past received fines from the Turkish tax authorities regarding inspections on the Banking and Insurance Transaction Tax on derivative transactions as well as regarding judgment fees with respect to collections from non-performing loans.

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

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

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

Recently, on 18 April 2020, the BRSA has resolved with its decision numbered 9000 that as of 1 May 2020, Turkish banks would be required to maintain an "asset ratio" to be calculated on a monthly basis in accordance with the formula set out under the relevant decision. In addition, the BRSA has also announced that a failure by a Turkish bank to maintain the required "asset ratio" would result in administrative fines in accordance with Article 148(1)(a) of the Banking Law, which may not be less than TRY 500,000. The introduction of the "assets ratio" could encourage the Issuer to increase its loans to less creditworthy borrowers and increase the Issuer's risk of exposure to NPLs, which may have an adverse effect on the Issuer's business, financial condition, cash flows and/or results of operations.

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

framework may have an adverse effect on the Issuer's business, financial condition, cash flows and/or results of operations.

The Issuer is dependent on its banking and other licences

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

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes:

Risks applicable to all Notes

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

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

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

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

Interest rates and indices which are deemed to be "benchmarks", (including the London interbank offered rate (**LIBOR**) and the euro interbank offered rate (**EURIBOR**)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU (which, for these purposes, includes the UK). Among other things, it: (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevents 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 could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, certain benchmarks (including LIBOR and EURIBOR) will continue to be supported going forwards. This may cause such benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, certain benchmarks (including, but not limited to LIBOR and EURIBOR).

The Terms and Conditions of Notes provide for certain fallback arrangements in the event that a Reference Rate (as defined in the Terms and Conditions) and/or any page on which a Reference Rate may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Terms and Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Terms and Conditions), with or without the application of an Adjustment Spread (as defined in the Terms and Conditions) and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Advisers or the Issuer (as the case may be). An Adjustment Spread, if applied could be positive or negative. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to investors. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) will still result in any Notes linked to or referencing a Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Reference Rate were to continue to apply in its current form.

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

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

Risks related to Notes generally

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

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

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

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to

English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

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

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

Risks related to the market generally

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

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

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

The market price of the Notes may be volatile

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

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

Turkey is considered by international investors to be an emerging market. In general, investing in the securities of issuers that have operations primarily in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or similar jurisdictions. The market price of the Notes is influenced by economic and market conditions in Turkey and, to a varying degree, economic and market conditions in both emerging

market countries and more developed economies. Financial turmoil in emerging markets in the past has adversely affected market prices in the world's securities markets for companies that operate in developing economies. Even if the Turkish economy remains relatively stable, financial turmoil in these countries could materially adversely affect the market price of the Notes.

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

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. Any ratings of the Issuer may not reflect the potential impact of all risks related to the Notes, the global financial market, the Turkish banking sector, other factors described in this "*Risk Factors*" section or any other risks. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The ratings do not address the marketability of the Notes or any market price.

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

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a joint stock company under the Turkish Commercial Code (Law No. 6102). Substantially all of the assets of the Issuer are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Issuer outside Turkey or to enforce against it in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate proceedings before the competent Turkish courts. In accordance with Articles 50 - 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

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

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

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

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

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

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

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

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

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

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

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

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

In any lawsuit or debt collection proceeding or action against the Bank in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*); *provided* that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be: (a)

a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574) (it being noted that the Supreme Court of Turkey is, in one of its judgments, of the view that only individuals can benefit from the Convention Relating to Civil Procedures signed at the Hague on 1 March 1954) or (b) a national of a state that has signed a bilateral treaty with Turkey that is duly ratified and contains (*inter alia*) a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis. In addition, if Turkish nationals are not required to deposit such a security in the country of the foreign plaintiff, then the relevant Turkish court may waive such requirement for security relying upon the *de facto* reciprocity. If a foreign plaintiff deposits such security and the proceeding ends in favour of such plaintiff, then the security will be returned to such plaintiff.

Furthermore, any claim against the Bank that is denominated in a foreign currency would, in the event of bankruptcy of the Bank, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira equivalent amount of any such claim would be the Central Bank's exchange rate that is effective on the date the relevant court determines the bankruptcy of the Bank in accordance with Turkish law.

Process may be served on the Issuer at Emirates NBD Bank PJSC at Emirates NBD House, 25, Knightsbridge, London, SW1X 7LY, United Kingdom in relation to any proceedings in England in connection with the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the convenience translation into English of the 2019 BRSA Financial Statements (including EY's audit report dated 20 February 2020 issued in respect thereof), published at:

https://www.denizbank.com/en/investor-relations/financial-information/_pdf/financial-figures/2019/31-December-2019-Consolidated-BRSA-Report.pdf

(b) the convenience translation into English of the 2018 BRSA Financial Statements (including EY's audit report dated 21 February 2019 issued in respect thereof), published at:

https://www.denizbank.com/en/investor-relations/financial-information/_pdf/financial-figures/2018/31-december-2018-consolidated-brsa-report.pdf

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

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

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and 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 be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

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

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

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

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

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) an Event of Default (as defined in Condition 11) has occurred and is continuing; (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is

available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

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

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

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

Registered Notes

The Registered Notes of each Tranche offered and sold will initially be represented by a global note in registered form (a **Registered Global Note**). Registered Global Notes will be deposited with a common depositary, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

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

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

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

definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable

General

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

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

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

Any reference herein to 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.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 5 May 2020 and executed by the Issuer.

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

APPLICABLE FINAL TERMS

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**) or in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.][1]

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

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the SFA), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][3]

[*Date*]

DenizBank A.Ş.

Legal entity identifier (LEI): 3RV7W250LTUQH12INJ88

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.$3,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 5 May 2020 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of [Regulation (EU) 2017/1129 (the **Prospectus Regulation**)]/[Prospectus Regulation] (the **Base Prospectus**). [This document constitutes the Final Terms

[1] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[2] Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

[3] Legend to be included on front of the Final Terms if the Notes are being sold into Singapore.

of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information.][4] The Base Prospectus has been published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the base prospectus dated [*original date*] [and the supplement to it dated [*date*]] which are incorporated by reference in the base prospectus dated [*current date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus has been published on [•].]

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

(*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*)

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

[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 where a prospectus is required to be published under the Prospectus Directive.

6.	(a)	Specified Denominations:	[ ] [and integral multiples of [●] in excess thereof] *(Notes must have a minimum denomination of €100,000 (or equivalent))* *(Where Bearer multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]."))*
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.		Maturity Date:	*[Fixed Rate - Specify date/Floating Rate Notes* – Interest Payment Date falling in or nearest to [*specify month and year*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR/[●]]] +/- [ ] per cent. Floating Rate] [Zero coupon] (see 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) [*date*] paragraph [14/15] applies and for the period from (and including) [*date*], up to (and including) the Maturity Date, paragraph [14/15] applies]/[Not Applicable]
12.		Put/Call Options:	[Investor Put]

			[Issuer Call] [(see paragraph [18]/[19] below)] [Not Applicable]
13.	(a)	Status of the Notes:	Senior
	(b)	Date Board approval for issuance of Notes obtained:	[ ] (*Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable [annually/semi-annually/quarterly/[●]] in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount] [Not Applicable]
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ] (the **Calculation Agent**)
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [LIBOR/EURIBOR/[●]]
	• 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 and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	• Specified Time:	[ ]
	• Relevant Financial Centre:	[ ]
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) *(The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)

	(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(i)	Margin(s):	[+/-] [ ] per cent. per annum
	(j)	Minimum Rate of Interest:	[ ] per cent. per annum
	(k)	Maximum Rate of Interest:	[ ] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8.3:		Minimum period: [15] days Maximum period: [30] days
18.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount [*Set out appropriate variable details in this pro forma, for example reference obligation*]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]

	(d) Notice periods:	Minimum period: [15] days Maximum period: [30] days (*When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*)
19.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount:	[ ] per Calculation Amount
	(c) Notice periods:	Minimum period: [15] days Maximum period: [30] days (*When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.*)
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 (*If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes upon an Exchange Agent] [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]

		[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005] (*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: [Registered Global Note registered in the name of a nominee for common depositary for Euroclear and Clearstream, Luxembourg]
23.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) relates*)
24.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

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

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.][Not Applicable]

Signed on behalf of **DenizBank A.Ş.**:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market and to be listed on the Official List] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify (i) relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of Euronext Dublin) and also any third country market, SME growth market or MTF, and (ii) if relevant, listing on an official list (for example, the Official List of the FCA or the official list of Euronext Dublin)*] with effect from [ ].] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*) [Not Applicable]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]: [Fitch Ratings Ltd. (**Fitch**): [●]] Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) [Not Applicable] (*Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*) *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

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

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

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

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Reasons for the offer:	[See "*Use of Proceeds*" in the Base Prospectus/*Give details*] (*See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from what is disclosed in the Base Prospectus, give details*)
(ii)	Estimated net proceeds:	[ ]

5. YIELD (*Fixed Rate Notes only*)

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

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and identification number(s)*]

(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	[Benchmark Administrator[s]:	[[•] is provided by [•]. [As at the date hereof, [•] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [•] does not fall within the scope of the Benchmark Regulation]/[As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that [•] is not currently required to obtain authorisation/registration (or, if located outside the European Union or the United Kingdom, recognition, endorsement or equivalence)]/[Not Applicable] (*To be included where a Reference Rate other than LIBOR or EURIBOR is specified as applicable in respect of Floating Rate Notes*)]

7. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
(vii)	Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable] (*Advice should be taken from Belgian counsel before disapplying this selling restriction*)

TERMS AND CONDITIONS OF THE NOTES

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

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

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

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

(b) any Global Note;

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 5 May 2020 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Final Terms), the Registrar, the Paying Agents and other Transfer Agents together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of 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 Regulation** means Regulation (EU) 2017/1129. For the purposes of the Conditions, references to the European Economic Area include the United Kingdom.

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

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

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

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 5 May 2020 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. 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 of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

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

1. FORM, DENOMINATION AND TITLE

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

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 shown in the applicable Final Terms.

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

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

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

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

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 Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Condition 2.3 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (a) the holder or holders must: (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount

to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor. A Registered Note may not be transferred unless the nominal amount of Registered Notes transferred and (where not all of the Registered Notes held by a transferor are being transferred) the nominal amount of the balance of Registered Notes not transferred, are Specified Denominations.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer 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.

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

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

(b) such Security Interest is terminated; or

(c) such other Security Interest or arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 4 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to: (i) a bond, note or similar instrument whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, a **Covered Bond**); or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (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 balance sheet value of assets or revenues subject to any Security Interest created in respect of (A) Covered Bonds; and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities, does not, at the time of the incurrence thereof, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with BRSA AFRS (as defined below) or, if prepared, IFRS).

4.2 Interpretation

For the purposes of these Conditions:

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

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

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

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remain outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the BRSA) for (i) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (ii) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings which are immaterial in the conduct by the Issuer of the Permitted Business or do not affect the Issuer's ability to perform its obligations under the Notes.

5.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Subsidiaries (as defined below) 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 U.S.$ 50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each such other aggregate Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Principal Paying Agent for distribution to any Noteholder upon such Noteholder's written request to the Principal Paying Agent not later than 120 days after the end of:

(a) 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 (i) BRSA accounting and financial reporting standards (**BRSA AFRS**), and (ii) to the extent prepared, IFRS, in each case consistently applied and together with the corresponding financial statements for the preceding financial year (where applicable), and such financial statements of the Issuer shall be accompanied by the reports of the auditors thereon; and

(b) the first six months of each financial year of the Issuer, English language copies of its reviewed consolidated financial statements for such six-month period, prepared in accordance with (i) BRSA AFRS, and (ii) to the extent prepared, IFRS, in each case consistently applied and, together with the financial statements for the corresponding period of the previous financial year (where applicable), and such interim financial statements shall be accompanied by the review report of the auditors thereon.

5.4 Interpretation

In 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 the purposes of this definition, **control**, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For the purposes of this definition, the terms **controlling**, **controlled by** and **under common control with** shall have corresponding meanings;

BRSA means the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey;

CMB means the Capital Markets Board (*Sermaye Piyasası Kurulu*) of Turkey;

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

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

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

majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person; and

Turkey means the Republic of Turkey.

6. INTEREST

6.1 Interest on Fixed Rate Notes

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

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

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

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

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

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the

Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

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

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

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

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

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

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

(ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 6.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Principal Paying Agent, the Margin, any maximum or minimum interest rates and the Day Count

Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

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

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

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

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

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

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

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

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

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

In these Conditions, **Business Day** means:

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

deposits) in London, Istanbul and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

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

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

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

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

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

(A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate (being LIBOR, EURIBOR or as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time 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 Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, 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 subparagraph (ii)(A), no offered quotation appears on the Relevant Screen Page or, in the case of subparagraph (ii)(B), fewer than three offered quotations appear on the Relevant Screen Page, in each case as at the Specified Time, the Issuer shall request each of the Reference Banks to provide the Principal Paying Agent or the Calculation Agent, as applicable, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Calculation Agent, as applicable, with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent or the Calculation Agent, as applicable, with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Calculation Agent, as applicable, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (at the request of the Issuer) the Principal Paying Agent or the Calculation Agent, as applicable, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Relevant Financial Centre (in respect of any Reference Rates other than LIBOR and EURIBOR, as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent or the Calculation Agent, as applicable, with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent or the Calculation Agent, as applicable, it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Relevant Financial Centre (in respect of any Reference Rates other than

LIBOR and EURIBOR, as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, or in the case of any other Reference Rate, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Issuer.

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

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

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

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

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

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

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

(ii) in the case of Floating Rate Notes which are Bearer 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 which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(e) Linear Interpolation

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

Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(f) Notification of Rate of Interest and Interest Amounts

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

(g) Certificates to be final

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

6.3 Benchmark Replacement

Notwithstanding the provisions of Condition 6.2 above, if the Issuer (in consultation, to the extent practicable, with the Principal Paying Agent or the Calculation Agent, as applicable, determines that a Benchmark Event has occurred in relation to a Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

(a) the Issuer shall use reasonable endeavours to appoint an Independent Adviser as soon as reasonably practicable to determine a Successor Rate or, alternatively, if the Independent Adviser determines that there is no Successor Rate, an Alternative Reference Rate and (in either case) an Adjustment Spread no later than three Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period (the **Interest Period Determination Cut-off Date**) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 6.3;

(b) if (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate, and/or (in either case) the applicable Adjustment Spread, in accordance with subparagraph (a) above prior to the Interest Period Determination Cut-off Date, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Reference Rate and/or (in either case) an Adjustment Spread for the

purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 6.3. If the Issuer has failed to determine a Successor Rate or an Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread in accordance with this subparagraph (b), the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in respect of the immediately preceding Interest Period (which may be the immediately preceding Fixed Interest Period, if applicable) (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period for which the Rate of Interest was determined, the Margin relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

For the avoidance of doubt, if this subparagraph (b) applies and the Issuer has failed to determine a Successor Rate or an Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread, prior to the relevant Interest Determination Date in accordance with this subparagraph (b), this subparagraph (b) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of this Condition 6.3 in its entirety;

(c) if a Successor Rate or an Alternative Reference Rate is determined in accordance with the preceding provisions, such Successor Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods (subject to the subsequent operation of this Condition 6.3 in its entirety);

(d) the Adjustment Spread (or the formula for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be);

(e) if the Independent Adviser or the Issuer (as the case may be) determines a Successor Rate or an Alternative Reference Rate and, in each case, the applicable Adjustment Spread, in accordance with the above provisions, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner) may also specify changes to these Conditions, including to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, Interest Payment Dates and/or the definition of Reference Rate or Adjustment Spread applicable to the Notes (and, in each case, related provisions and definitions), and the method for determining the fallback rate in relation to the Notes, in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (as applicable), and the Issuer shall, subject to giving notice thereof in accordance with Condition 15, without any requirement for the consent or approval of the Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such changes with effect from the date specified in such notice, which changes shall apply to the Notes for all future Interest Periods (subject to the operation of this Condition 6.3 in its entirety);

(f) any Independent Adviser appointed pursuant to this Condition 6.3 shall act in good faith and subject as aforesaid (in the absence of gross negligence, fraud or wilful misconduct) shall have no liability whatsoever to the Issuer, the Principal Paying Agent or the Calculation Agent, as applicable, or Noteholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 6.3. No Noteholder consent shall be required in connection with effecting the Successor Rate or the Alternative Reference Rate (as applicable), any Adjustment Spread or such other changes pursuant to subparagraph (e) above, including for the execution of any documents, amendments or other steps by the Issuer or the Principal Paying Agent or the Calculation Agent, as applicable (if required); and

(g) the Issuer shall promptly, following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread, give notice thereof and of any changes pursuant to subparagraph (e) above to the Principal Paying Agent or the Calculation Agent, as applicable, and the Noteholders in accordance with Condition 15.

As used in this Condition 6.3:

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

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable) determines is customarily applied to the Successor Rate or Alternative Reference Rate in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Successor Rate or Alternative Reference Rate (as applicable); or

(C) in the case of the Independent Adviser (in consultation with the Issuer) determining that no such spread is customarily applied, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (acting in good faith and in a commercially reasonable manner) (as applicable), determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate where such rate has been replaced by the Successor Rate or Alternative Reference Rate (as applicable); or

(D) in the case of the Independent Adviser (in consultation with the Issuer) determining that no such industry standard is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the relevant Reference Rate with the Successor Rate or Alternative Reference Rate (as the case may be);

Alternative Reference Rate means the rate (and related alternative screen page or source, if available) that the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is customarily applied in international debt capital markets transactions for the purposes of determining Rates of Interest in respect of Notes denominated in the Specified Currency and of a comparable duration to the relevant Interest Period or, if the Independent Adviser (in consultation with the Issuer) or the Issuer determines (acting in good faith and in a commercially reasonable manner) that there is no such rate, such other rate as the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in its discretion is most comparable to the relevant Reference Rate;

Benchmark Event means:

(i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered or ceasing to be published for at least five Business Days; or

(ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that Reference Rate will be prohibited from being used generally, or in respect of the Notes, or that its use will be subject to restrictions or adverse consequences or that Reference Rate is no longer representative or may no longer be used; or

(v) it has or will become unlawful for the Principal Paying Agent or the Calculation Agent, as applicable, or the Issuer to calculate any payments due to be made to any Noteholder using the relevant Reference Rate;

provided that in the case of sub-paragraphs (ii), (iii) and (iv) the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, and not the date of the relevant public statement;

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with relevant expertise, in each case appointed by the Issuer at its own expense under this Condition 6.3;

Relevant Nominating Body means, in respect of a Reference Rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(ii) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of:

(A) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Reference Rate relates;

(B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate;

(C) a group of the aforementioned central banks or other supervisory authorities;

(D) the International Swaps and Derivatives Association, Inc. or any part thereof; or

(E) the Financial Stability Board or any part thereof; and

Successor Rate means the reference rate (and related alternative screen page or source, if available) that is formally recommended by any Relevant Nominating Body as a successor to or replacement of the relevant Reference Rate.

6.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is

improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note 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 Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

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

7.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, 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 failing to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer in the Specified Currency on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg

are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

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

7.5 General provisions applicable to payments

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

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

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

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

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

7.6 Payment Day

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

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

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

(ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(c) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.7 Interpretation of principal and interest

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

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

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

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

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

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

7.8 U.S. dollar exchange and payments on Turkish Lira-denominated Notes

(a) If U.S.$ Payment Election is specified as being applicable in the applicable Final Terms and the Specified Currency is Turkish Lira, then a Noteholder (in the case of a Series of Notes in registered form, as of the applicable Record Date) may, not more than 10 and not less than five Business Days before the due date (the **Relevant Payment Date**) for the next payment of interest and/or principal on a Note (such period, the **U.S.$ Election Period**), give an irrevocable election to any Agent to receive such payment in U.S. dollars instead of Turkish Lira (each, a **U.S.$ Payment Election**). Each Agent to which such an election is given shall notify the Principal Paying Agent on the Business Day following each U.S.$ Election Period of the U.S.$ Payment Elections made by the Noteholders during such U.S.$ Election Period and upon its receipt of such notification the Principal Paying 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 U.S.$ Payment Elections and which is to be converted into U.S. dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.8 and Clause 7 of the Agency Agreement.

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

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

(c) Following conversion of the Lira Amount into U.S. dollars in accordance with this Condition 7.8 and the Agency Agreement, the Exchange Agent shall notify the Principal Paying 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 Principal Paying Agent shall give notice to the Noteholders of such U.S. dollars 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 Principal Paying Agent will need to have received cleared funds from the Issuer by no later than 11.00 a.m. (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time) on the day that is one London business day prior to the Relevant Payment Date 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 Principal Paying Agent receives cleared funds from the Issuer after such time, then the Principal Paying Agent will use reasonable efforts to pay the funds

(d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. dollars with the Lira Amount, then the Exchange Agent will promptly notify the Principal Paying Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with Condition 15 and all payments on the Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 7.8, irrespective of any U.S.$ Payment Election made.

(e) To give a U.S.$ 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 U.S.$ Election Period, a duly signed and completed U.S.$ 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 U.S.$ bank account to which payment is to be made under this Condition 7.8 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the U.S.$ Payment Election, be held to the Agent's order or under its control until the applicable U.S. dollar payment is made; and

(ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the U.S.$ Election Period, give notice to the Principal Paying Agent of such exercise in

accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for any of them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as applicable, from time to time.

Notwithstanding any other provision in the Conditions to the contrary: (i) all costs of the purchase of U.S. dollars with the Lira Amount shall be borne *pro rata* by the relevant Noteholders relative to the Notes of such Noteholders the subject of U.S.$ Payment Elections, which *pro rata* amount will be deducted from the U.S. dollars 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. dollars 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 U.S.$ Payment Election; and (iii) the Issuer shall not have any liability or other obligation to any Noteholder with respect to the conversion into U.S. dollars of any amount paid by it to the Principal Paying Agent in Turkish Lira or the payment of any U.S. dollars amount to the applicable Noteholders.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

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

8.2 Redemption for tax reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9) or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued Tranche of the Notes, on the next Interest Payment Date the Issuer would be required to:

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

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

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

then the Issuer may at its option, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Principal Paying Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraphs (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in 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 or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

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

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

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

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

If 75 per cent. or more in nominal amount of the Notes of a Series then outstanding have been redeemed pursuant to this Condition 8.4 or, as the case may be, purchased by the Issuer, the Issuer may, on giving within 30 days of the Purchase Date not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes of that Series at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption or purchase, as the case may be.

As used in this Condition 8.4:

Purchase Date shall be the Business Day following the date on which at least 75 per cent. of the nominal amount of the Notes of a Series then outstanding have been redeemed pursuant to this Condition 8.4 or, as the case may be, purchased by the Issuer.

8.5 Exercise by a Noteholder of Investor Put

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

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

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.5 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.6 Early Redemption Amounts

For the purpose of Condition 8.2 and Condition 11:

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

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

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

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

8.7 Purchases

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

8.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.7 (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 8 or upon its becoming due and repayable as provided in 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(b) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

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

9. TAXATION

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

(a) presented for payment in Turkey; or

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

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

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

For the purposes of these Conditions:

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

10. PRESCRIPTION

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT

11.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

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

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(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 originally applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any originally applicable grace period; provided that the aggregate principal amount of any such Indebtedness for Borrowed Money: (A) of the Issuer or such Material Subsidiary in the case of (i), (ii) and/or (iii) above, and/or (B) in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of (iv) above, exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies);; or

(d) if:

(i) any order is made by any competent court, or resolution is passed, for the winding up, dissolution or liquidation of the Issuer or any of its Material Subsidiaries; or

(ii) the Issuer ceases carry on the whole or a substantial part, or any Material Subsidiary ceases 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 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; or

(iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or

(iv) the Issuer or any of its Material Subsidiaries: (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 proposes 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 subparagraphs (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 Subsidiaries of the Issuer; or

(e) if the banking licence of the Issuer is temporarily or permanently revoked or management of the Issuer is taken over by the Savings Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

11.2 Interpretation

For the purposes of the Conditions:

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

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or

(b) any borrowed money; or

(c) any liability under or in respect of any acceptance or acceptance credit; and

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

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 15 per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (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 accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts 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 which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this subparagraph (b) but shall cease to be a Material Subsidiary on

the date of publication of the Issuer's next audited consolidated accounts unless it would then be a Material Subsidiary under subparagraph (a) above; or

(c) to which is transferred an undertaking or assets which, 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 accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, calculated as set out in subparagraph (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 per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, calculated as set out in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date of publication of the Issuer's next audited consolidated accounts 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 subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Agency Agreement.

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

12. REPLACEMENT OF NOTES COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying 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 evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents 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 Principal Paying Agent and a Registrar;

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

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

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

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

14. EXCHANGE OF TALONS

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

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) 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.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying

Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification of the Notes, the Coupons, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes

or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

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

19.2 Submission to jurisdiction

(a) 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 arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a **Dispute**) and each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

(b) The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum.

(c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take: (i) any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) against the Issuer in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

19.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (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, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (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 (No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (No. 5718).

19.4 Appointment of Process Agent

The Issuer irrevocably appoints Emirates NBD Bank PJSC at Emirates NBD House, 25, Knightsbridge, London, SW1X 7LY, United Kingdom as its agent for service of process in any proceedings in England in relation to any Dispute and agrees that, in the event of Emirates NBD Bank PJSC being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19.5 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. The Issuer may agree with the relevant Dealer(s) that the proceeds of an issue shall be used for one or more specific purposes and this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

Overview

DenizBank is a full-service, private commercial bank operating principally in Turkey. The Issuer has grown steadily since its establishment in 1997 to become the fifth largest private bank and eighth largest bank (including state banks) in Turkey, by total assets and net income as at 31 December 2019, having been the 45th largest bank when it started its operations in 1997. Since 31 July 2019, following the completion of the transfer of shares from the Sberbank to Emirates NBD, the Issuer has been a subsidiary of Emirates NBD. Emirates NBD, together with its subsidiaries and associate companies, is one of the leading full-service banks in the UAE with branches or representative offices throughout the Middle East and around the world. As at 31 December 2019, Emirates NBD owned 100.00% of the outstanding share capital of DenizBank. See "*Share Capital and Ownership – Ownership*."

In line with its strategy of enhancing its services to its customers, particularly in the Wholesale segment (comprising Commercial, Corporate and Project Finance segments) and Retail segment (comprising Consumer, Agricultural and SME segments), the Issuer has significantly expanded its service network, growing from 400 branches as at 31 December 2008, to 751 branches as at 31 December 2019, which include 574 retail branches and small and medium-sized enterprise (**SME**) branches, 3 corporate centres, 21 commercial centres, 103 "Green Drop" agricultural centres, 17 private banking service points and 6 other branches (two mobile, one free zone, one internet, one custody, and one in Bahrain), as well as 14 regional offices. As at 31 December 2019, the Issuer's branch network covered 81 cities and 100% of the total population of Turkey. The Issuer had a total of 13.7 million customers as at 31 December 2019. The Issuer also provides international banking services to its customers through three subsidiaries located in Austria and Germany (through DenizBank AG's 43 branches) as well as the Russian Federation, the Turkish Republic of Northern Cyprus and Bahrain. In addition to its traditional delivery channels, the Issuer offers customer services through ATMs, internet banking, mobile banking, fastPay, API, Contact Centre, SMS Banking, 24-hour telephone banking, point of sale (**POS**) machines and kiosks. As at 31 December 2019, the Issuer had 3,029 ATMs and 132,860 POS machines. Its alternative distribution, non-branch channels handled approximately 87% of the Issuer's banking services (including cash withdrawals) during the year ended 31 December 2019, an increase from 85% for the year ended 31 December 2018.

As at 31 December 2019, the Issuer had total assets of TL 217,314 million, total customer deposits of TL 154,459 million and total shareholders' equity of TL 17,749 million, reflecting an actual growth rate of 10%, 13% and 14%, respectively, since 31 December 2018. For the year ended 31 December 2019, the Issuer's net profit was TL 1,308 million compared to TL 2,204 million for the year ended 31 December 2018, a decrease of 41%.

Key Competitive Strengths

The Issuer's management believes that the Issuer has the following key competitive advantages that enable it to compete effectively in the Turkish banking sector, including:

- ***Robust Capital Structure, Healthy Growth in Deposit Base:*** The Issuer has a robust capital structure, as demonstrated by its total capital ratio of 14.3% as at 31 December 2019, which is significantly above the regulatory requirement of 12.0%. Its total capital ratio was 14.3%, 14.9% and 15.3%, respectively, as at 31 December 2019, 2018 and 2017. Its Tier 1 ratio was 10.4% and shareholders' equity was TL 17,749 million as at 31 December 2019. The Issuer's 2020 capital planning includes two main actions: first, the Issuer's shareholder, Emirates NBD, committed a cash capital increase of TL 2,380 million in December 2019, which was finalised on 6 February 2020 at the extraordinary general assembly meeting, and second, the Issuer plans to extend the maturities of its subordinated loans, which is expected to be finalised during the second quarter of 2020. The actions will have positive effects on the Issuer, resulting in an increase of the Issuer's Tier 1 ratio by 140bps and of its total capital ratio by 120 bps. The Issuer has enjoyed strong growth in its deposit base over the last three years, reflecting its strategy of enlarging its deposit base through (i) deepening its relations with existing customers, (ii) expanding its branch network and (iii) increasing its number of customers by focusing on niche segments (such as micro SMEs and agriculture and senior salary payment customers) where it has a strong presence. The Issuer ranks number one in

senior payroll payments among private banks with 1.2 million customers. In addition, 16% of the Issuer's total deposit volume and 19% of total demand deposit volume comes from senior salary payment customers. In addition, 27% of time deposit accounts comes from senior salary payment customers with a low deposit cost. Moreover, the Issuer had 751 branches in all provinces of Turkey as of 31 December 2019. In addition to the Issuer's strong branch network, the Issuer believes that its strong balance sheet has supported its ability to attract a growing deposit base and that it has benefited from a "flight to quality" during recent periods when difficult market conditions prevailed, with customer deposits having an average annual growth of 20% from TL 61,831 million as at 31 December 2014 to TL 154,459 million as at 31 December 2019. As a result of the growth in the Issuer's deposit base, the net loans to customer deposits ratio of the Issuer decreased from 101% as at 31 December 2018 (sector average was 120%) to 92% as at 31 December 2019 (sector average was 107%), whereas the customer deposits represented 71% of total assets as at 31 December 2019 (the sector average was 57%). Although a large portion of the Issuer's deposits are short-term (in line with the Turkish banking sector average, which is less than 90 days), on average 70% of the Issuer's deposits have historically been reinvested on multiple occasions.

- ***Strong Income Generation Capacity Driven by a Strong Lending Franchise and Cross-Selling Opportunities:*** The Issuer believes that its focus on growing its loan portfolio, rather than its marketable securities portfolio, has contributed to its strong income generation and potential to achieve sustainable returns in terms of both its ability to defend its net interest margin and fee and commission income, in the latter case due to the potential cross-sell opportunities presented by its lending platform. In line with the general slowdown in the economic environment and since the change of ownership in 2019, the Issuer adopted a more prudent loan provisioning policy, which led to the increase in expected credit losses, resulting in a decrease in overall profitability. However, considering the five year average return on equity (which uses the equity as of 31 December 2014 for the calculations), the Issuer's profitability (12.8%) is still higher than the sector average of 12.5%. On the other hand, the Issuer concentrated its efforts in increasing the fee and commission income in 2019, reaching TL 3,746 million as at 31 December 2019, demonstrating a 68% increase as compared to the year ended 31 December 2018 (the Issuer's peers' average increase is 21% whereas the sector's average increase is 32%). As at 31 December 2019, net fee income comprises 31% of the total revenues (including interest expenses and fees and commissions paid) of the Issuer (sector average is 18%) and covers 88% of the Issuer's operating expenses (sector average is 50%). Net income attributable to equity holders of the parent was TL 1,308 million for the year ended 31 December 2019, a decrease of 41% from TL 2,204 million for the year ended 31 December 2018, which in turn represented an increase of 16% from TL 1,902 million for the year ended 31 December 2017. Since its inception, as a matter of policy, the Issuer's investments in securities have been relatively low compared to the Turkish banking sector as a whole. As at 31 December 2019, the Issuer's securities (financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and investments measured at amortised cost) to assets ratio was 9.9%, significantly below the sector average of 16.3%. As at 31 December 2019, 2018 and 2017, the Issuer's securities to assets ratios were 9.9%, 7.4% and 7.8%, respectively, compared to sector average ratios of 16.3%, 13.6% and 13.2%, respectively, as at the same dates (source: monthly BRSA reports). The Issuer has historically focused on growing its loan portfolio and has achieved an average net loan growth rate of 17% during the five year period from 31 December 2014 to 31 December 2019. The Issuer believes that its strong credit culture and prudent risk management approach have supported the growth and contributed to a healthy diversification of its loan portfolio. The Issuer has leveraged cross-selling opportunities created by the strong synergies between its Corporate and Commercial and Project Finance divisions and its Consumer and SME Banking businesses, so that many loans extended to corporate and commercial clients lead to increased penetration of its retail products. As at 31 December 2019, 56.4% of the Issuer's total loan portfolio was comprised of Corporate and Commercial Banking and Project Finance loans. The remaining 43.6% of the Issuer's total loan portfolio was comprised of Consumer, retail credit cards, SME and Agricultural Banking loans, of which 11.4%, 6.2% and 15.6% were loans to consumers, retail credit cards, SMEs, and, respectively, and 10.4% were agricultural loans. The Issuer's consumer loans can be further broken down into general purpose consumer loans, housing loans and auto loans, comprising 84.7%, 15.1% and 0.2% of total consumer loans, respectively, as at 31

December 2019. As a major part of the consumer loans, general purpose loans also has a high concentration in loans to senior salary payment customers and has a 2.1% NPL ratio as at 31 December 2019. The Issuer's loan portfolio is also diversified among borrower sectors, with the largest shares in agriculture, tourism and construction, representing 8.8%, 8.4% and 8.2%, respectively, of the Issuer's loan portfolio as at 31 December 2019. The share of the Issuer's receivables from its top 100 cash loan customers in the overall cash loan portfolio was 40% as at 31 December 2019.

- ***Record of Innovation in Products and Services, Particularly in Niche Markets:*** The Issuer has a strong track record of developing innovative products and services. The Issuer is the leading private bank in the Turkish agricultural sector in terms of loans to that sector and is also the leader among private banks in senior salary payment customers. The Issuer has a targeted rural branch network known as its "Green Drop" branches to serve agricultural customers and offers them a "Producer Card" that provides innovative targeted solutions, such as repayment schedules tied to the harvest season of over 300 different crops. The Issuer had issued over 593 thousand Producer Cards as of 31 December 2019. In addition, the Issuer offers an SME card that provides a unique range of products and services in a single card, including loan, payments and cash management facilities for companies with turnover below TL 40 million. The combination of the SME and Producer cards help to give the Issuer a leading position in the commercial card market in Turkey, with a 22.6% market share in terms of number of such cards in issue as at 31 December 2019, more than 600 bps higher than the 16.3% market share of the second ranked bank (source: BKM, The Interbank Card Centre).

- ***Successful Deployment of Portal Business Model:*** The Issuer has successfully benefited from a number of synergies between its various customer segments, traditional and alternative delivery channels, products and services by deploying its "portal approach". In particular, the Issuer's Financial Services Group acts as a "financial supermarket", which means it operates as a single portal for marketing all of the Issuer's financial products through both its physical and alternative distribution channels. The Issuer seeks to serve its customers through a focused point of contact, rather than requiring customers to separately access the different products and services that the bank offers. The benefit of this approach is that it provides increased opportunities for cross-selling and strengthening of relationships between customers and their main point of contact at the Issuer. The Issuer has also designed its internal incentive and compensation structures so as to be aligned with this approach, in order to minimise internal competition and ensure customers are provided with the best mix of the Issuer's products and services. In furtherance of this strategy, the Issuer has structured its Private Banking activities as a complementary business line within its Investment Management segment. In addition, the Issuer's Investment Banking products are provided through the branch network, often in combination with Private Banking products, in a system that encourages the branches to promote those services, as the Issuer believes these products are difficult to market directly to customers.

- ***Low Cost to Income Ratio:*** Since its establishment, the Issuer has focused on improving its cost efficiency ratio by being cost efficient in human resources, information technology and public relations activities. Notwithstanding the growth in the Issuer's business, its cost to income ratio has remained at relatively low levels. As a consequence of the efficient cost management policies, resulting in an increase of 16% of operating expenses (which represent the sum of other operating expenses and personnel expenses) in 2019 as compared to 2018, and the overall increase in total banking income (gross profit from operating activities), resulting in an increase of 32% in 2019 as compared to 2018, the Issuer's cost to income ratio decreased to 34.9% as at 31 December 2019 as compared to 39.7% as at 31 December 2018 and 42% as at 31 December 2017. The cost to income ratios of the Issuer are 34.9% as at 31 December 2019, and 39.7% and 42.0% as at 31 December 2018 and 2017, respectively, as compared to an average of 37.8%, 36.0% and 42.0% as at 31 December 2019, 2018 and 2017, respectively, for the ten largest private banks in Turkey.

- ***Strong Focus on Employee Training and Development; Highly-Skilled Workforce:*** the Issuer believes that a key element of its success has been its emphasis on the quality, training and

development of its employees. The Issuer's employee turnover rate is 10.5% for the year ended 31 December 2019, which it believes to be below the sector average. The Issuer believes that its well-trained employees form a cornerstone of the Issuer's focus on superior customer service and long-standing customer relationships, and also provide the Issuer with a competitive advantage, particularly in a growing market where there is high demand for skilled personnel. Historically, the Issuer has sought to maximise opportunities for career development for its employees, with virtually all promotions to non-management positions and approximately 87.5% of all promotions to management positions being filled by internal candidates.

- ***Maintain High Standards of Corporate Governance and Business Ethics:*** the Issuer believes that its internal corporate governance structure reflects the best market practices of the Turkish and international banking sectors. The Issuer established these corporate governance practices to improve management's efficiency and to further protect the interests of the Issuer's stakeholders, including its customers and shareholders. DenizBank operates with a management approach built on the principles of transparency, equality, responsibility and accountability, and exercises maximum care to comply with the corporate governance provisions outlined in the Banking Legislation, Turkish Commercial Code (Law No. 6102) and other related regulations as regards the management of relations with stakeholders, as well as the determination of the duties, authorities and responsibilities of the Board of Directors.

- ***Leading Digital Banking Offering:*** The Issuer's sustained investment in research and development and new technologies has led to innovative new offerings and applications that increase customer engagement and contribute to turnover growth. The Issuer's pioneering technological initiatives include Turkey's first mobile wallet (fastPay), Turkey's first cashier POS system, Turkey's first e-government banking system integration, the first agricultural application aimed at digitising the agriculture sector (Deniz'den Toprağa) and Turkey's first instant cheque factoring application. The Issuer's technological achievements have been recognised through numerous awards, including Most Innovative Bank of the Year by BAI Global Innovation Awards in 2014 and 2016 , Global Innovator by EFMA Accenture Awards in 2015, Global Innovator Challenger Player Silver by EFMA Accenture Awards in 2017 and EMEA Regional Winner by Gartner Eye on Innovation Awards in 2018. The Issuer's Digital Banking products have also been recognised individually through similar awards such as Best New Product or Service by EFMA Accenture Awards for Agri App (Deniz'den Toprağa) and at the PSM Awards for Best Mobile Payment Solution for fastPay.

- ***Strong and committed shareholder:*** Support from Emirates NBD provides stability and helps to maximise the Issuer's growth potential. Emirates NBD is one of the leading full-service banks in the UAE and also has branches or representative officers in the Kingdom of Saudi Arabia, Iran, India, Singapore, Indonesia, Egypt, the PRC and the United Kingdom. The Issuer benefits from Emirates NBD's know-how and expertise in risk management, internal audit, financial planning and control as well as from Emirates NBD's experience in implementing efficiency improvements and cost management.

Strategy

DenizBank's corporate goals and strategy are closely aligned with its commitment to further the development of the Turkish economy and the Turkish financial system by providing high quality specialised banking products and services that are both innovative and comprehensive. By achieving sustainable and profitable growth, the Issuer aims to become one of the five largest banks in Turkey in terms of total assets and net income. To achieve this objective, the main pillars of its strategy are as follows:

- ***Continue to Emphasise Prudent Risk Management:*** the Issuer aims to continue to grow its lending portfolio by developing its strong commercial franchise without sacrificing its disciplined loan culture and prudent risk management principles (see "*Risk Management*"). In particular, the Issuer has developed sophisticated underwriting models that enable a high degree of underwriting automation such that 94% of total retail loans as well as 92% of loans (94% of loans in the Consumer segment, 95% of loans in Credit Cards segment, 86% of loans in the SME segment and

88% of loans in the Agricultural segment) are automated. In addition, the Issuer has developed detailed protocols to assist in the early detection of problematic loans and has implemented cost-efficient and effective ways to manage loan collections and restructuring.

- ***Focus On and Improve Cost Efficiency:*** the Issuer intends to maintain its prudent cost management culture with highly efficient human resources, information technology, marketing and public relations activities. In particular, the Issuer intends to continue its performance-oriented culture that incentivises employee productivity through a high level of internal promotions as well as through employee bonuses. The Issuer also aims to pursue cost-conscious and innovative advertising, maintain cost-effective IT spending which develops lower-cost solutions through the Issuer's in-house technology company (InterTech) and continuously monitor its regional offices and branches for profitability.
- ***Pursue Roll-out of Portal Approach:*** the Issuer plans to continue to maximise synergies between its various customer segments, traditional and alternative delivery channels, products and services with its "portal approach" The DenizBank Financial Services Group, together with its subsidiaries, constitutes an ecosystem in which each subsidiary supports each other: DenizBank, the flagship, and all of its subsidiaries operate under a single model—an alloy design, not a mosaic—together with unified operations in most of the functions (such as IT & operations, communications, legal, finance, human resources, risk, audit and procurement). The system is built on a synergy-driven (and therefore cost-saving), high-tech, web-based IT platform that also drives the digital process, with a focus on segmentation and established niche markets while maintaining prudent lending and high level of client satisfaction while transforming the business to align people, processes and technological initiatives. All physical and digital distribution channels are fed by this portal with a wide range of financial products and services to the clients including those of the Issuer's subsidiaries. With this approach the DenizBank Financial Services Group functions as a "financial supermarket" or single portal for marketing all of the Issuer's financial products which is able to offer the right products at the right time through the right channel to the right customer.
- ***Continue to Focus On Market Segmentation and Further Expand Presence in Established Niche Markets:*** the Issuer intends to enhance its customer-oriented approach by delivering state-of-the-art quality, increasing loyalty and cross-selling and maximising sales effectiveness across the Issuer's segments. Making available tailor-made solutions through the use of innovative products will be the key factor in the Issuer's efforts to increase its number of clients as well as its profitability per client. The Issuer also aims to develop its presence in certain niche markets, including energy, tourism, sports clubs, precious metals and agriculture.
- ***Business Transformation:*** the Issuer intends to grow beyond its core business into relevant ecosystems, targeting excellent customer experience, efficiency and effectiveness by utilising the power of digitalisation and mobility with the assistance of the Deniz Aquarium Innovation Office. The Deniz Aquarium Innovation Office aims to transform the concept of the traditional business school by creating a new, ideal platform for start-ups where they can generate and grow new ideas via the Deniz Aquarium Innovation Office's Open Innovation, Corporate Entrepreneurship and Corporate Venture Capital programs as well as through its Blockchain Lab and via Ecosystem Banking with APIs.

Recent Developments

Since 31 December 2019, in common with the banking sector as a whole, the Group has faced challenging and disrupted market conditions due to the global COVID-19 outbreak as well as the restrictive measures implemented in response to the pandemic. The COVID-19 outbreak has resulted in temporary closures of many businesses, the institution of social distancing, imposed quarantine measures and changes in regulation. In response to this, since mid-March 2020, the Group has implemented a weekly rotational system for its branch employees and adopted remote working arrangements for its head office employees. The Group has also temporarily closed certain branches and instead promoted the use of its digital platforms to support customers during this time. Although the extent of the impact of the COVID-19 pandemic on both

the global economy and the Group remains unclear, the Group continues to monitor closely all developments relating to the pandemic and its impact on the Group's employees, customers and business.

History

DenizBank was originally established as a state-owned bank in 1938, primarily for the purpose of financing the newly-emerging Turkish maritime industry. In 1992, after a decision by the government to merge certain state-owned banks, DenizBank merged with EmlakBank. On 20 March 1997, DenizBank was reconstituted from a portion of the assets of EmlakBank and was privatised as a commercial bank. At that time, the assets of DenizBank consisted entirely of branches in İstanbul, İzmir and Ankara that had been inactive since 1992.

Following the resolution of the Turkish High Council of Privatisation, a share sale agreement between the Privatisation Administration and Zorlu Holding A.Ş. (the purchaser of DenizBank) was signed on 29 May 1997. DenizBank acquired its banking licence in August 1997 and effectively began operations in September 1997. From 1997 to 2001, DenizBank experienced significant organic growth, with the number of its branches increasing to approximately 50 and net assets increasing to US$2 billion. DenizLeasing, DenizFactoring and DenizYatırım, wholly-owned subsidiaries of DenizBank, were established in 1997 and 1998, respectively.

In late 2001, the Issuer embarked on a strategy to expand its business through acquisitions when it purchased from the SDIF a number of branches, deposit, credit card and financial services companies that had been taken over by the SDIF during the consolidation of various failed Turkish banks in prior years. In a series of transactions during 2001 and 2002 DenizBank acquired financial services companies from the SDIF which held in total 108 branches, deposit accounts amounting to approximately US$250 million and 130,000 credit card accounts. The principal acquisitions included the following (at historical acquisition values):

- In December 2001, Deniz Yatırım purchased 5% of the shares of Demir Investment Trust, a Demirbank subsidiary (which was renamed DenizInvestment Trust in 2002), an A-Type investment trust company, for TL 60,000.
- In February 2002, DenizBank purchased 99.98% of the shares of Yaşarbank Foreign Trade Off-Shore Ltd. (which was initially renamed Eurodeniz Offshore Limited and then Eurodeniz International Banking Unit Limited in 2009), a bank located in the Turkish Republic of Northern Cyprus, for US$490,000.
- In July 2002, DenizBank purchased 100% of the shares of Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. (**Intertech**), a company providing IT services to the financial and banking sectors, for US$1.75 million.
- In September 2002, DenizBank purchased 99.99% of the shares of Esbank AG, Wien (which was renamed DenizBank AG in 2003), a commercial bank located in Vienna (Austria), for US$24.6 million.
- In November 2002, DenizBank and Deniz Yatırım purchased 78.02% of the shares of Ekspres Invest, a securities trading firm engaged in brokerage activities, portfolio management and investment advisory services, for approximately US$2 million.
- In December 2002, DenizBank acquired all of the shares of Tarişbank, including 100% of the share capital of Tariş Securities (which was renamed DenizTürev Securities in 2005), a brokerage firm, at a net book value of TL 2,199.
- In April 2003, DenizYatırım acquired 98.42% of the shares of EgePortföyYönetimi A.Ş. (which was renamed Deniz Portföy), a portfolio management firm, for US$468,000.
- In June 2003, DenizBank acquired all of the shares of CJSC İktisat Bank (Moscow) (which was initially renamed DenizBank Moscow and then CJSC Dexia Bank), a bank located in Moscow, for US$450,000.
- In 2002 and 2003, DenizBank purchased a total of 108 banking branches of Bayındırbank, Etibank, İktisatBankası, Toprakbank, EGS Bank and Kentbank in various cities in Turkey.

Through these various acquisitions, DenizBank increased its brokerage and investment advisory services and significantly strengthened its international banking activities. As a result of these and other branch acquisitions, rapid branch expansion took place in 2002 and 2003 with the number of branches increasing from 55 as at 31 December 2001 to 165 as at 31 December 2003. Since then, DenizBank has continued to expand its services through both organic and inorganic growth.

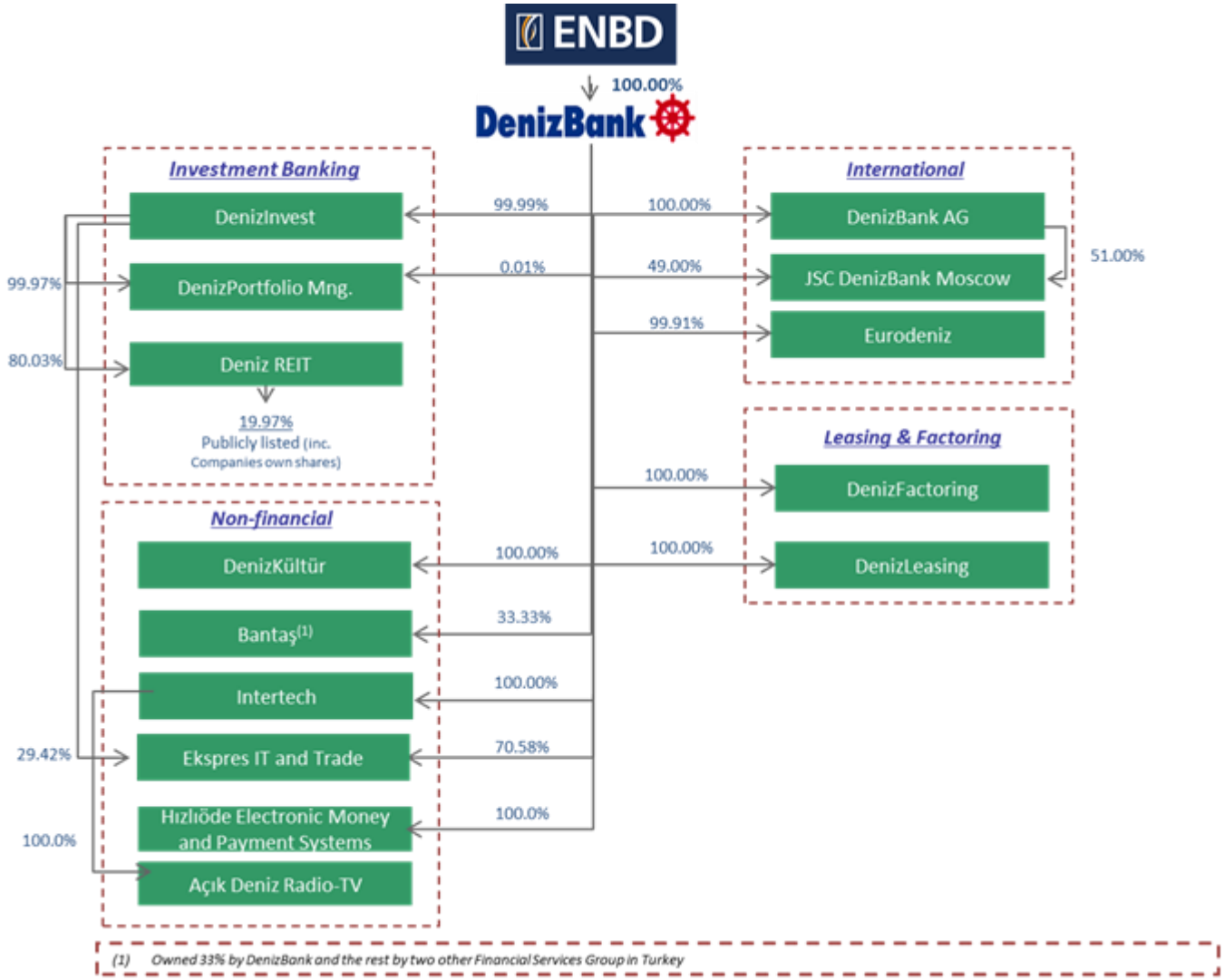
- On 24 September 2004, 25% of the share capital of the Issuer was offered to the public and listed on the Istanbul Stock Exchange.
- In December 2004, DenizBank established Deniz Kültür for the purpose of supporting cultural and arts activities.
- On 30 May 2006, Dexia Participation Belgique SA signed a share purchase agreement with Zorlu Holding for the purchase of its 75.0% stake in DenizBank and the transfer of the shares was completed on 17 October, 2006. Subsequently, a tender offer was made for the publicly traded shares on the ISE, and Dexia Participation Belgique's ownership increased to 99.84%.
- In March 2007, DenizBank acquired 99.6% of the shares of Global Hayat Sigorta A.Ş. (Global Life Insurance Inc.) from Global Yatırım Holding, (which changed its name to DenizHayat Sigorta (Deniz Life Insurance) in August 2007, and, after acquiring a pension company licence, changed its name to DenizEmeklilik (Pension and Life Inc.) in November 2008.
- In January 2009, DenizBank and DenizLeasing entered into a joint venture as founder shareholders with a 33.3% (2.08% and 31.25%, respectively) share to form Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. (Cash and Valuable Papers Transportation and Security Services) which provides the services of collecting, distributing, delivering and protection cash, commercial papers, precious metals and other valuable papers.
- In June 2009, DenizLeasing established Pupa Gayrimenkul Kiralama ve Yönetim Hizmetleri A.Ş., dealing mainly with investing in real estate, real estate projects and rights related to real estate.
- On 19 July 2011, all of the shares that were 100% owned by DenizBank directly and indirectly at its subsidiary DenizTürev Securities were sold to Endeks Gayrimenkul ve Madencilik Enerji Sanayi ve Tic. A.Ş.
- On 3 October 2011, 99.86% of the shares DenizBank owned at its subsidiary Deniz Emeklilik was sold to American Life Hayat Sigorta A.Ş.'ye (MetLife).
- On 28 September 2012, Sberbank acquired 99.85% of the shares of DenizBank from Dexia Participation Belgique SA and Dexia NV/SA.
- Deniz Varlık Yönetim A.Ş., established on 8 May 2013, started its operations in December 2013 with the official authorisation granted by the Banking Regulation and Supervision Agency. The company's title was changed as Destek Varlık Yönetim A.Ş. on 9 April 2014.
- On 1 July 2013, the retail business of Citi Turkey, encompassing over 600.000 customers, loans/receivables of 1.2 Billion TL and deposits of 1.6 Billion TL, was transferred to DenizBank with almost 1.400 employees, including the retail banking branches.
- On 29 December 2016, 100% of the shares of Destek Varlık Yönetim A.Ş., of which DenizBank and its subsidiaries were shareholders, was sold to Lider Faktoring, Merkez Faktoring and real persons.
- On 21 May 2018, Emirate NBD PJSC entered into an agreement (as amended and restated on 2 April 2019) with Sberbank whereby Sberbank would sell its 99.85% stake in DenizBank to Emirates NBD. Subsequently, on 31 July 2019, Emirate NBD PJSC acquired 99.85% of DenizBank's shares from Sberbank.
- On 12 November 2019, the title, purpose, scope of activity and capital of "Deniz Kartlı Ödeme Sistemleri A.Ş.", which is a 100% subsidiary of DenizBank, were changed with the registration of the General Assembly resolutions. The new title of the Company was changed into "Hızlıöde Elektronik Para ve Ödeme Hizmetleri A.Ş.". The application for the operating permit was made to Banking Regulation and Supervision Agency on 14 November 2019 for the company to be able to

operate as payment and electronic Money institution. As of January 1, 2020, the Central Bank of the Republic of Turkey (CBRT) has taken full responsibility for the Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, including the license application for and the audit. The application is being processed.

- As per the terms of the CMB Communiqué numbered II-27.2 on Squeeze Out and Sell Out Rights, ENBD exercised its right to squeeze out the other shareholders of DenizBank. As a result, DenizBank shares owned by other shareholders were purchased by ENBD, taking the ownership ratio of ENBD at DenizBank to 100%. and subsequently DenizBank shares were delisted from the stock exchange as of 16 December 2019.

Organisational Structure

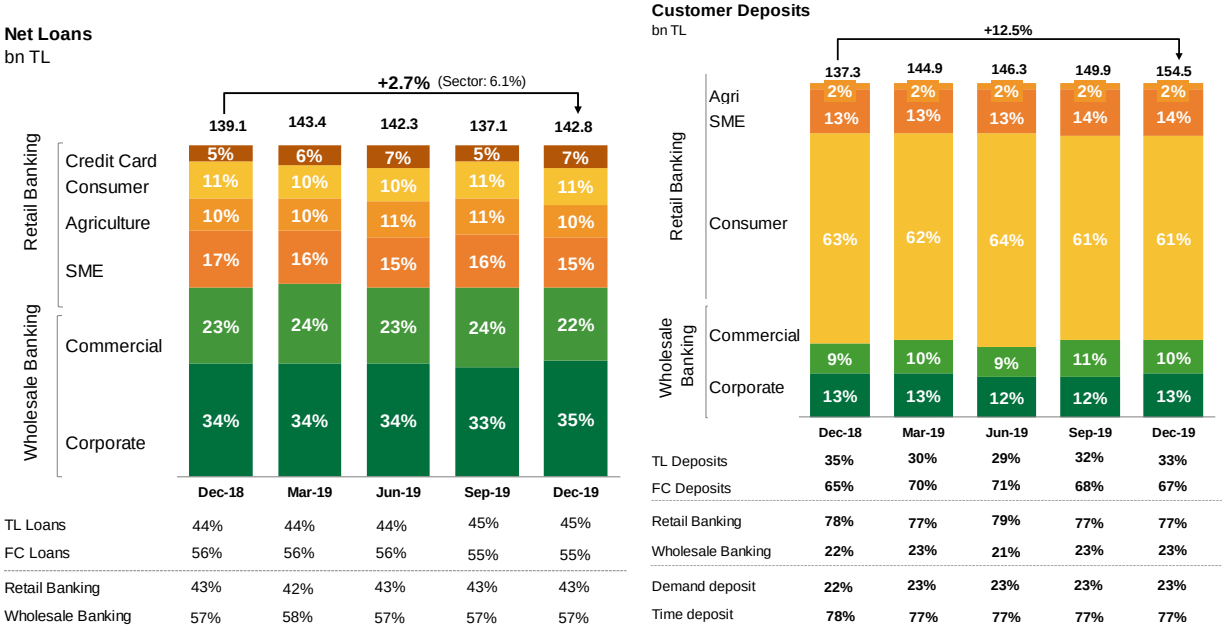
The following chart represents the Issuer's organisational structure as of 31 December 2019, including its subsidiaries' structures.



Overview of Banking Products and Services

The Issuer's operations are carried out through two main segments: Wholesale Banking and Retail Banking. The Issuer's service model is supported by its domestic and international subsidiaries.

The following charts detail the breakdown of the Issuer's net loans and customer deposits according to the Wholesale and Retail Banking segments.



Wholesale Banking

DenizBank's Wholesale Banking segment is comprised of Corporate and Commercial Banking, DenizLeasing, DenizFactoring and DenizBank's Project Finance business. Wholesale Banking works with DenizBank's international operations and is assisted by the Issuer's support functions.

Corporate and Commercial Banking

DenizBank's Corporate and Commercial Banking segment provides financial solutions to corporate and commercial clients across a wide range of industries, including infrastructure, tourism, maritime, sports, health care, education and energy. Corporate and Commercial Banking consists of two business lines: Corporate Banking, which serves entities with an annual turnover of more than TL 200 million and has three corporate branches, and Commercial Banking, which serves entities with an annual turnover of between TL 125 million and TL 200 million and has 21 commercial centre branches. As at 31 December 2019, Corporate and Commercial Banking served 8,432 active clients from 3,168 active groups and had a network of 24 branches across 11 cities in Turkey. As at 31 December 2019, the Corporate and Commercial Banking segment had 385 employees.

Corporate and Commercial Banking provides a wide range of banking products and services. Such offerings include: time and demand deposits, treasury marketing unit products, TL and foreign-exchange cash loans, project finance loans, investment loans, non-cash loans (such as letters of guarantee and letters of credit), cash management products (such as disbursement-collection cheques), insurance products (through its partnerships with AXA and MetLife), POS products, payroll solutions for employee salary payments, credit cards and trade finance. In addition, Corporate and Commercial Banking provides its customers with a wide range of products and services from other Group companies, such as leasing, factoring and investment products, many of which were developed principally to meet the needs of Corporate and Commercial Banking customers and then sold to customers of other Group business lines and subsidiaries. In addition to serving the needs of the Issuer's Turkish clients, Corporate and Commercial Banking also provides these services to non-Turkish companies who are active in the Turkish market. As well as providing the banking products outlined above, Corporate and Commercial Banking works closely with Retail Banking and SME Banking to create synergies between these business lines.

Corporate and Commercial Banking's strategy is to focus on new customer acquisition through increased marketing of a wide range of its products. Corporate and Commercial Banking also seeks to enhance its relationship with existing clients of other business lines within the Issuer, including such clients of DenizLeasing and DenizFaktoring. Corporate and Commercial Banking focuses on risk income (spread income) as well as non-risk income (its side businesses).

Through its link to the Issuer's project finance team and its expertise in various sectors such as the energy, education, health, transportation, tourism, shipping, agriculture, iron and steel, textiles, public, real estate and oil sectors, in the period between its formation in 2005 and 31 December 2019, Corporate and Commercial Banking had undertaken 300 project finance transactions valued at approximately US$20 billion and, as of 31 December 2019, had 73 current project finance transactions creating approximately US$5.2 billion of exposure on its loan book, each tailored to fit the specific client profile in terms of debt sizing and risk management.

Total Corporate and Commercial Banking cash and non-cash loans were TL 107 billion as of 31 December 2019, an increase of 2% from TL 105 billion as at 31 December 2018, which in turn represented an increase of 33% from TL 79 billion as at 31 December 2017. As at 31 December 2019, Corporate and Commercial Banking customers generated 60% of the Issuer's total loans.

Total deposits by Corporate and Commercial Banking customers were TL 35 billion as at 31 December 2019, an increase of 18% from TL 29.7 billion as at 31 December 2018, which in turn represented an increase of 26% from TL 23.7 billion as at 31 December 2017, of which total time deposits were TL 27 billion and total demand deposits were TL 8.1 billion as at 31 December 2019, compared to TL 22.3 billion and TL 7.5 billion, respectively, as at 31 December 2018.

Project Finance

The Project Finance department focuses on large scale investments that play a key role in developing Turkey's economy and therefore require medium- and long-term financing. The Project Finance department's core business provides structured financing for projects in certain target sectors, such as telecommunications, energy, infrastructure, public-private partnerships, healthcare, and education; industrial investments; privatisation and acquisition finance transactions; and syndicated lending. Over the past 14 years, the Issuer has secured more than U.S.$20 billion in long-term financing for over 300 projects. For example, the Issuer provided €500 million to İstanbul's Third Airport project, €154 million for TAV Bodrum Airport, U.S.$503 million for the Mersin public-private partnership (**PPP**), U.S.$275 million for the Bilkent PPP, U.S.$200 million for the Northern Marmara Motorway and varying amounts totalling in aggregate €800 million for İzmir Adnan Menderes Airport, İstanbul Atatürk Airport, Antalya Airport and Alanya Gazipaşa Airport. In addition, among private banks, the Issuer extended the highest credit line to the Third Airport Project.

The Issuer has also played an important role in Turkey's recent power generation capacity expansion and over the last fourteen years has intermediated in commissioning approximately 6,522 MW in installed capacity. The Issuer has provided over U.S.$5.5 billion in financing to the energy industry, including electricity and natural gas distribution as well as wholesale projects.

The Issuer's Project Financing department aims to continue to develop its pioneering position in large-scale infrastructure projects while further increasing growth in the key energy, infrastructure, transportation, mining, healthcare and education sectors.

Retail Banking

Agriculture Banking

The Issuer is the leading private agricultural bank since 2003 and the first privately owned bank to focus on agricultural lending with a dedicated branch network. Among private banks, DenizBank has a 44 percent market share in agricultural banking with 14 other banks splitting the remaining 56 percent. DenizBank's Agricultural Banking Department provides financial solutions and banking services to the agricultural sector. The Issuer considers its support for the agricultural sector to be an excellent business proposition and also a good opportunity to show its commitment to social responsibility projects in Turkey. DenizBank's Agricultural Banking Department has grown from 26 branches in 2004 to 376 branches as at 31 December 2019, including 103 "Green Drop" branches, which are smaller branches located in rural areas specialising in offering agricultural banking services as well as providing SME and retail services to rural populations.

DenizBank's Agricultural Banking Department has a dedicated sales team with strong industry experience and employs agricultural engineers in its agricultural sales force. Its nationwide presence allows the Issuer to access producers throughout Turkey who need banking services for their agricultural activities. DenizBank Agricultural Banking customers are segmented as small-scale and micro producers and medium- and large-scale producers, according to transaction volumes, perceptions of products (needs and requirements), usage frequency, and other behavioural characteristics.

The Issuer has developed a range of products specifically tailored to the needs of the agricultural sector, recognising in particular the seasonal cashflow that it entails. It has also entered into partnerships with sector-related companies, such as tractor companies like Türk Traktör Finance (which has 50 percent market share in the tractor loans sector and is the Issuer's exclusive partner) and Petrol Ofisi (the largest fuel distribution company in Turkey) in order to generate additional business. For small and micro scale customers such as farmers and micro producers, the key products are the Producer Card, Farmer Card (debit card) and consumer loans. Products are marketed and targeted through campaign management, local marketing activities, fairs and festivals, as well as alternative distribution channels such as the Issuer's call centre. For medium and large scale customers such as large scale farmers, investors, agricultural dealers, agricultural unions and cooperatives, the main products are the Agriculture Plus Loan, Project Management, Producer Card (Gold/Platinum), Producer POS, cheque book, letters of guarantee, cash loans as well as projects and process management. Products are marketed and targeted through relationship management and customer visits.

The Agricultural Banking Department makes funding available through agricultural business loans, principally through its Producer Card. The Producer Card is a unique product in Turkey that is designed to meet the specific needs of farmers by linking repayments to the harvest season. The card offers farmers the opportunity to buy fuel from Petrol Ofisi, the largest fuel distribution company in Turkey, with a five-month interest-free grace period. The card also offers farmers interest-free financing to purchase fertiliser, feed, pesticides, seed and replacement parts. The maturity of the loan is flexible and can be modified to match the producers' harvest time. Farmers also have the ability to pay their social security (Bağ-Kur) premiums automatically via the Producer Card, which is very important in rural areas since delayed payments may result in cancellation of the incentives given to farmers by the social security agency. Approximately 593 thousand Producer Cards were in circulation as at 31 December 2019, while the number of member merchants accepting the Producer Card as at that date exceeded 17 thousand.

In addition to Producer Card loans, DenizBank also offers spot/revolving business loans to producers and agricultural investment loans in the form of medium- and long-term project loans offered to farmers for their agricultural investments. Such loans include those for tractors and equipment, greenhouse construction, field purchases, animal husbandry and special project investments and typically have a five-year maturity with annual repayments.

DenizBank's Agricultural Banking Department also offers the Deniz'den Toprağa mobile application, which, since its launch in September 2017, has represented an additional way for the Issuer to deepen its engagement with the Turkish farming community. Deniz'den Toprağa is free and accessible to all farmers, irrespective of whether or not they are a customer of the Issuer, and the application provides them with a single location to monitor weather forecasts, review current prices for a variety of agricultural products, ask questions with agricultural engineers, and review and post advertisements for land and tractors for sale or to rent. Through the application, farmers can also register their farmland, which the application then monitors through satellite imagery to provide farmers with up-to-date information, including the market value of their crops and whether the crops have been affected by disease. As of May 2020, the Issuer will launch a new version of the Deniz'den Toprağa application which for the first time integrates the Issuer's agricultural banking offerings. In 2017 at Efma and Accenture's Distribution & Marketing Innovation Awards, the Deniz'den Toprağa application won the "Best New Product or Service" award.

DenizBank was the largest lender to the agricultural sector among private banks for each of 2019, 2018 and 2017, capturing market share in the sector among private banks of 44.2%, 43.6% and 40.2%, respectively (*source: BRSA*), and has increased net loans made through Agricultural Banking from TL 11.3 billion as at 31 December 2017 to TL 13 billion as at 31 December 2018 and further to TL 14.1 billion as at 31 December 2019.

As at 31 December 2019, the total number of Agriculture Banking's active customers was 576 thousand, a 14% increase from 506 thousand as at 31 December 2018, which in turn represented an increase of 6% from 480 thousand as at 31 December 2017. As at 31 December 2019, Agricultural Banking had 750 employees.

Retail Banking

DenizBank's Retail Banking segment serves individuals, self-employed professionals, owners and partners of corporate and commercial segment companies and owners and partners of companies that are customers of the Issuer's SME Banking Department. DenizBank's Retail Banking subcategory aims to provide its customers with superior service quality as well as products and services that make the lives of its customers easier. The Retail Banking segment accounts for 15% of the Issuer's total loans but provides 25% of gross operating income and 54% of net profit. The Retail Banking segment manages its customers' needs according to a lifestyle approach, dividing them into subgroups such as Private Banking, Affluent Banking, Senior Banking, Mass Banking and Salary & School Payments according to the relationship between the life cycle and the financial needs of the customers.

Retail Banking's products predominantly consist of general purpose loans (**GPLs**) and credit cards, which products comprise approximately 59% and 30% of the Issuer's retail loans, as compared to approximately 45% and 20%, respectively, of retail loans in the Turkish banking sector. The Issuer's GPLs (including overdraft) have grown at a CAGR of 19% from TL 4,185 million as at 31 December 2012 to TL 14,493 million as at 31 December 2019. The Issuer attributes this success to three factors: (i) the Issuer's analytical approach to developing the Issuer's existing customer portfolio, which has resulted in preapproved loans to current customers representing 20% of Retail Banking's GPLs; (ii) effective loan processing, which averages 10 minutes of processing time per GPL; and (iii) new alternative GPL sales channels, which processed 18% of GPL volume in the year ended 31 December 2019, and include, among others, dealers like MediaMarkt and hepsiburada, the National Post Office, ATMs, and mobile and internet banking. Retail Banking also offers mortgage loans and auto loans, though these represent a significantly smaller portion of Retail Banking's loan portfolio: Mortgage loans represent only 10% of the Issuer's retail loans, as compared to 34% in the Turkish retail banking sector, and auto loans represent only 0.2% of the Issuer's retail loans, as compared to 1% in the Turkish retail banking sector. Retail Banking also focuses on its overdraft offering, which grew at a CAGR of 23% from TL 296 million as at 31 December 2012 to TL 1,272 million as at 31 December 2019.

Retail Banking implements an effective customer segment management strategy, which is based on a customer lifecycle approach. The customers are divided into three segments: Private, Affluent and Mass. Half of the Retail Banking segment's deposits are managed by the Affluent segment, whereas 80% of the Retail Banking segment's loans are managed in the Mass segment. In Mass, the Issuer focuses on senior salary payment customers, due to their higher revenue potential and lower NPL ratio. In the Retail Banking segment, 25% of total retail deposit volume, 37% of retail Turkish lira demand deposits and 57% of GPL comes from senior salary payment customers. As the result of its focus on senior salary payment customers, the Issuer ranks first among private banks with these customers as of 31 December 2019 with 1.2 million senior salary payment customers.

Retail Banking has a three-pronged strategy. First, Retail Banking aims to maximise its low-cost income through continuing to focus on growing small ticket, low-cost deposits; increasing sales of high margin products, such as general purpose loans and overdraft while avoiding mortgage and car loans; raising commission income through increased marketing of insurance; and boosting the Issuer's share of product sales and transactions via non-branch channels, such as through call centres and the Issuer's digital offerings. Second, Retail Banking is targeting increased customer acquisition and penetration, particularly in the senior and affluent customer segments where the Issuer also aims to boost cross-selling given these segments' high revenue potential, as well as developing its consumer finance offering through both offline and online vendors (such as MediaMarkt) and growing its Salary & School Payments niche market. Third, Retail Banking is aiming to increase effective cost management through the Retail Banking network, through branch consolidation, particularly in Turkey's seven largest cities, which entail higher costs, and instead expanding the branch network in rural areas, which entail lower costs and higher margins and which are nearer to unbanked individuals.

Total Retail Banking customer loans were TL 21.7 billion as of 31 December 2019, an increase of 8.5% from TL 20.0 billion as at 31 December 2018, which in turn represented an increase of 0.5% from TL 19.9 billion as at 31 December 2017. As at 31 December 2019, Retail Banking customers generated 15% of the Issuer's total loans, as compared to 14% as at 31 December 2018.

Total deposits by Retail Banking customers were TL 94.2 billion as at 31 December 2019, an increase of 8.8% from TL 86.6 billion as at 31 December 2018, which in turn represented an increase of 31.6% from TL 65.8 billion as at 31 December 2017, of which total time deposits were TL 74.1 billion and total demand deposits were TL 20.1 billion as at 31 December 2019, compared to TL 69.2 billion and TL 17.4 billion, respectively, as at 31 December 2018.

As at 31 December 2019, the total number of Retail Banking's active customers was 4.5 million, a 15% increase from 3.9 million as at 31 December 2018, which in turn represented an increase of 8% from 3.6 million as at 31 December 2017. As at 31 December 2019, the Retail Banking segment had 66 employees.

SME Banking

DenizBank's SME Banking segment provides financial solutions and banking services to companies and sole proprietorships with an annual turnover of less than TL 40 million. DenizBank's SME segment is comprised of three customer segments: medium SMEs (representing 5% of active SME segment customers) with revenue between TL 8 million and TL 40 million or loans greater than TL 1.5 million; small SMEs (representing 16% of active SME segment customers) with revenue between TL 1 million and TL 8 million or loans greater than TL 125 thousand; and micro SMEs (representing 79% of active SME segment customers) with revenue of less than TL 1 million or loans of less than TL 125 thousand. The SME Banking segment also includes one of the biggest public finance businesses among private banks with 535 active customers and TL 3.9 billion of loans (of which none are non-performing). In addition, the SME Banking segment includes the leading gold bank in the Turkish gold banking sector, which offers the sector's widest variety of products, and as of 31 December 2019 had loans of 3,596 kilograms and deposits of 6,422 kilograms.

SME Banking's service model differentiates based on channel and product across its three segments. While each SME segment can access loans, tailored bundle solutions, POS systems and SME cards, medium SMEs interact with SME Banking solely through the relationship manger channel, whereas small SMEs use both the relationship manager and digital channels and micro SMEs use only the digital channel and KOBİ'deniz, a new channel offering micro SMEs a remote relationship manager. Key products offered by SME Banking include the SME Card, which provides cardholders with the following features on a single card: (i) an overdraft account for urgent payments; (ii) an instalment loan repayable in up to 60 instalments; (iii) seasonal loans, which are non-recourse loans during periods of low income; and (iv) business cards, which can be used for all personal and business spending. SME Banking also offers bundles, which combine an array of bespoke solutions tailored to individual customers expectations and needs, including product bundles (such as foreign trade, merchant and cash management packages), sectoral bundles (such as pharmacist, agricultural and exporter packages), transaction bundles (such as mini SME, Midi SME, Maxi SME and Jumbo SME packages) and specialised bundles (such as women entrepreneur and retiring SME packages).

SME Banking's main strategy is to grow its customer base through increased marketing of its bundle products as well as by developing its leading public finance and gold banking sub-segments. SME Banking also seeks to strengthen customer engagement through MobilDeniz, its digital banking application for SMEs, which provides access to all SME products and services through smartphones and tablets. As of 31 December 2019, 200 thousand active customers used MobilDeniz.

SME Banking's strategy is to fully support SMEs access financing by the KGF and state backed loan programs. The KGF is a guarantor for SMEs that cannot get a loan due to insufficient collateral. In addition to KGF, the Small and Medium Enterprises Development Organization (**KOSGEB**) interest support is given to SMEs to provide cash loans from banks. KOSGEB member SMEs can use 0% interest rate SME loans up to 50,000 TL. SME Banking has already taken part in several support programs for Turkish SMEs in collaboration with KGF and KOSGEB. The programs are named respectively as Nefes-1 (Breath-1) in 2016 (DenizBank is the only private bank in the program), Nefes-2 (Breath-2) in 2018, KOBİ Değer-1 (SME

Value-1), KOBİ Değer-2 (SME Value-2) and Ekonomi Değer (Economic Value) In 2019, SME Banking reached 4.4 billion TL loans and 25 thousand customers in total.

There are active KGF and state-backed loans programs which SME Banking is participating in 2020. For example, in March 2020, in order to ease the negative effects of the coronavirus pandemic on SME's, the government has initiated two separate loan programs with state-backed KGF guarantees; one for helping with cheque payments Çek Destek (Cheque Support) and the other for operating expense payments OPEX Destek (OPEX Support). In April 2020, the most recently announced loan program, which DenizBank participates in as the only private bank, is Nefes-3 (Breath-3). In cooperation with the Union of Chambers and Commodity Exchanges of Turkey (**TOBB**) and the KGF, the Nefes-3 Loan will be provided exclusively for SMEs that are members of the TOBB. It is expected to service 40,000 SMEs.

As at 31 December 2019, the total number of SME Banking's active customers was 660 thousand, a 0.75% decrease from 665 thousand as at 31 December 2018, which in turn, however, represented an increase of 4.75% from 630 thousand as at 31 December 2017. The SME segment's loan portfolio was TL 25.4 billion as at 31 December 2019, a decrease of 1.17% from TL 25.7 billion as at 31 December 2018, which in turn, however, represented an increase of 4.53% from TL 24.3 billion as at 31 December 2017.

Credit Cards

DenizBank's Credit Cards segment provides a variety of credit and debit card products across its customer segments.

DenizBank considers credit cards to be one of the most profitable consumer banking products and therefore views the Credit Card segment as a strategically important business. Credit card products in Turkey have a "revolving" feature. With the advantage of cost of funding and the cash advance feature, which generates both commission and interest rate payments, credit cards typically generate profitability faster than other loan instruments, provided that the portfolio is properly managed in terms of cost of credit, non-performing loans and other costs.

The Issuer offers Private Cards to those customers with assets under management of at least TL 1 million, which represents 0.3% of total cards, and Private Cards represent 1.4% of the Credit Card segment's turnover. Platinum Cards represent 12.6% of total cards and Afili cards are available for those customers with a minimum limit of at least TL 30 thousand whereas Platinum Bonus Cards are available for those with a minimum limit of at least TL 9 thousand, provided such customers have assets under management of at least TL 100 thousand or a mortgage loan of at least TL 150 thousand. Platinum Cards represent 28.0% of the Credit Card segment's turnover. Gold Cards represent 9.5% of total cards and 10.0% of the Credit Card segment's turnover and are available for customers with a minimum limit of at least TL 3 thousand. The remaining 77.6% of the Credit Card segment's customers can select from the Classic Bonus, Senior, Football and NetKart cards, which collectively account for 60.6% of the Credit Card segment's turnover.

DenizBank was the first bank to offer a card programme to all of the four major football (soccer) clubs in Turkey (Fenerbahçe, Galatasaray, Beşiktaş and Trabzonspor). In addition to the Issuer's existing Fenerbahçe Bonus and Turkey's first stadium card GS Bonus (the only card that allows cardholders to enter TT Arena Stadium when used as a season ticket), the Issuer also offers Beşiktaş Bonus, Trabzonspor Bonus, Çaykur Rizespor Bonus and ESES Bonus as co-branded card projects, all of which are equipped with contactless technology.

DenizBank and Garanti Bankası have been bonus programme partners since 2002, when they were the first banks in Turkey to work together on a loyalty programme. As of January 2020 the programme has more than 1 million merchants and 18 million credit cards (approximately a quarter of all credit cards in Turkey). This arrangement has given the Issuer access to more than 1 million POS and has created the Issuer's brand awareness in a cost efficient way. Many other banks have followed the Issuer's path in programme cooperation, such as TEB, ING and Şekerbank. The bonus platform has now reached nine member banks, but as an inaugural member the Issuer has been able to develop the second biggest credit card portfolio of the nine member banks.

DenizBank's Credit Card segment also offers customers the best-in-class mobile application, DenizKartım. DenizKartım is a mobile application with both loyalty and wallet features designed exclusively for the

Issuer's credit and debit cards. Aiming to provide the best benefits to customers at the right place and time, this application strives to reduce communication costs and increase customer use while ensuring customer satisfaction thanks to its easy-to-use transaction features. The DenizKartım mobile application enables customers to view all campaign details, sign into their accounts and monitor their status in the loyalty program, review up-to-date information on their cards, view their card limit (including their cash advance limit), check their statement details and bonus balances and pay their card balances.

As at 31 December 2019, the total number of the Issuer's credit cards was 4.9 million, an increase of 10% from 4.4 million as of 31 December 2018, which in turn represented an increase of 11% from 4 million as of 31 December 2017. The Issuer's credit cards market share increased to 7.0% as of 31 December 2019, having been 6.7% and 6.4% as at 31 December 2018 and 2017, respectively.

Treasury and Financial Institutions Group

The activities of the Issuer's Treasury and Financial Institutions Group are principally divided between the Treasury Department and the Financial Institutions Department. The Treasury Department operates via four groups: (i) the Treasury Marketing and Pricing Department; (ii) Fixed Income & Trading and Money Markets Department; (iii) the Treasury Sales Department; and (iv) the Subsidiaries Treasury Department. The Financial Institutions Group operates via four sub-groups: (i) the Correspondent Relations Department; (ii) the Trade Sales Department; (iii) the Financial Institutions Credit Analysis Department; and (iv) the Structured Finance Department.

Treasury Department

Treasury Marketing and Pricing Department

The Treasury Marketing and Pricing Department is responsible for determining the marketing and pricing strategies for treasury products and managing the Issuer's foreign exchange exposure in accordance with the decisions of the Issuer's Asset and Liability Management Committee (**ALCO**). The department is comprised of three units: (i) the FX and Interest Transactions Department; (ii) the Securities Department; and (iii) the Derivative Transactions Department.

The FX and Interest Transactions Department is mainly responsible for supporting the branches in foreign exchange and precious metal transactions. The department's responsibilities include: (i) monitoring and managing the Issuer's daily foreign exchange and precious metal exposures as a result of customer transactions; (ii) responding to loan pricing requests from the relevant business lines in accordance with spreads set based on the decisions of the ALCO; (iii) responding to requests for quotations for interest-rate and cross-currency swap and option transactions; and (iv) visiting customers in coordination with the branches and the Treasury Sales Department.

The Securities Department is responsible for responding to requests for quotations for various securities (e.g. treasury bonds, government bonds, Eurobonds, private sector bonds, and repos) placed by external financial institutions, the Issuer's Treasury Sales Department, the Private Banking Group and other members of the Group.

The Derivatives Department determines pricing for derivative products quoted to clients through the Treasury Sales Department and the Issuer's Private Banking Group. The product range includes foreign exchange, commodity and precious metals options. The Department also supports developing option-embedded products tailored to the needs of the Issuer's clients. The Derivatives Department also manages the derivatives desks' positions and risks through options, spot foreign exchange transactions, futures and swaps on both over-the-counter and organised markets within pre-defined risk parameters.

Fixed Income & Trading and Money Markets Department

The Fixed Income & Trading and Money Markets Department is comprised of two units: (i) the Fixed Income & Trading Department and (ii) the Money Markets Department.

The Fixed Income & Trading Department is responsible for managing the Issuer's bond portfolio within the parameters set by the ALCO and supporting the ALCO in hedging interest rate risk on the Issuer's balance sheet. The Issuer is one of the primary dealer banks set by the Republic of Turkey's Ministry of Treasury and Finance, and primary dealership rights and obligations are performed by the Fixed Income & Trading

Department. The team executes transactions on OTC and BIST markets in order to manage its securities exposures.

The Money Market Department manages the short-term foreign currency and Turkish Lira liquidity of the Issuer. The Money Market Department engages in foreign currency and Turkish Lira money market transactions and manages the Issuer's funds, utilising various tools such as repos, deposits, FX swaps and forwards.

Treasury Sales Department

The Issuer's Treasury Sales Group offers clients across all of the Issuer's business lines a full range of customised investment and hedging products, consistent with the Issuer's client-centric strategy.

The Treasury Sales Group acts as a bridge between the financial markets and the Issuer's branch network. It provides hedging and investment product support to the branch network's existing and potential key customers and develops new products designed to meet the financial needs of targeted customer segments. It is responsible for setting performance targets for treasury products for each branch, evaluating the performance of the branches with a multi-product rating system and providing support for those that fail to meet targets. The Treasury Sales Group provides a two-way information flow by updating customers about market conditions and new products and by gathering feedback to assist in designing new products to meet customer needs. The Treasury Sales Group also trains and educates branch personnel, organises customer seminars held by the Issuer's chief strategist and engages in customer reporting.

Products offered by the Treasury Sales Group include hedging instruments designed to protect against interest rate risk, exchange rate risk and volatility in commodity prices, yield enhancement structures on deposits, currency-linked and commodity-linked products derived from G7 and emerging markets currencies and fixed income and G7 and emerging markets currency options and interest rate options. By providing yield-enhancing products to the Issuer's customers, the Treasury Sales Group assists the Issuer in broadening its deposit base and offering alternative products to those wishing to obtain a higher return than the interest rate offered on deposits.

Subsidiaries Treasury Department

The Subsidiaries Treasury Department is responsible for liquidity management and optimal funding in line with the resolutions and instructions of the management of the Group's subsidiaries.

Financial Institutions Group

Correspondent Banking Department

The Correspondent Banking Department is responsible for establishing and managing bilateral relations with bank counterparties and export credit agencies. The Correspondent Banking Department is also responsible for developing the correspondent banking network to serve the Issuer's customers' needs as well as for facilitating the Issuer's funding activities, including via syndicated loans, bilateral facilities and trade finance.

The Issuer's correspondent banking network extends to over 700 correspondent banks in 112 countries. To improve its service quality and competitiveness in the sector, the Correspondent Banking Department implements and markets new products in collaboration with its correspondent network and other relevant departments of the Issuer.

The Correspondent Banking Department supports customers in their foreign trade activities through pre-export financing; import financing; issuance, confirmation and discounting of letters of credit; issuance of letters of guarantee, avalisation or discounting of promissory notes as well as acting as an intermediary for medium- and long-term loan facilities within the scope of the insurance programmes of export credit agencies, as well as for GSM-102 loans provided by the U.S. Department of Agriculture to finance agricultural imports from the United States.

In December 2019, the Issuer signed a dual-tranche loan facility with certain arrangers and Mizuho Bank Limited, as agent bank, for U.S.$762 million, which received a record-high subscription of U.S.$1.1 billion from 45 correspondents, with one and two year maturities. Certain of the Dealers are among the group of syndicate lenders on the loan facility. The Issuer intends to renew this facility when its matures.

The Issuer also has a sustainable and diversified portfolio of U.S.$2 billion comprised of trade-related borrowings and bilateral loans.

Trade Sales Department

The Trade Sales Department is responsible for marketing and selling trade-finance products to increase foreign trade volumes and the Issuer's market share.

The Trade Sales Department acts as the connection point for the customer, branch, trade operations and correspondent banking teams in order to fulfil customer needs with tailor made financing solutions for their foreign trade transactions. The Trade Sales Department also conducts visits to regional offices, branches and customers. In addition, the Trade Sales Department provides training activities to branch sales staff in order to increase awareness of trade finance products.

In 2019, the Issuer increased its foreign trade volume by 12% to U.S.$17.5 billion by providing alternative financing solutions to customers through a wide range of products. In particular, the Issuer's captured 8% market share in import letters of credit, 6% in export letters of credit and 5% in all foreign-trade transactions in 2019.

Financial Institutions Credit Analysis Department

The Financial Institutions Credit Analysis Department is responsible for conducting credit analyses of countries, banks and non-bank financial institutions, whose risk is to be assumed by the Issuer. This Department serves all of the Issuer's Financial Services Group entities and ensures that all business divisions have all required limits in place on time. The Financial Institutions Credit Analysis Department acts as a first line of defence: all limit requests are screened by analysts in terms of the existing product methodology and counterparty credit quality. Counterparty credit and financial performance assessments are based on financial statements, external credit reports and ratings, as well as peer comparisons and publicly available sources. Country analyses are based on main country statistics and indicators available via various open public sources. Analysts make sure that the only sound business requests are processed and submitted to the Credit Underwriting group. The Financial Institutions Credit Analysis Department is one of the main coordinators in methodological issues and the establishment of limits on new deal structures and products. The Department also plays a supportive role in the credit monitoring process of the Issuer's existing country and financial institution portfolio.

Structured Finance Department

The Structured Finance Department is responsible for maintaining relationships with foreign banks and other financial institutions in order to meet the medium- and long-term borrowing needs of the Issuer's Financial Services Group. The Structured Finance Department also manages the financing process, monitors and structures transactions, and coordinates with the Issuer's other business lines.

The Issuer's international borrowing activities are aimed at obtaining long-term funding at competitive rates with longer-term maturities by using different borrowing instruments, diversifying sources of funding and by reaching new lenders. This cost advantage permits the Issuer to more competitively price products offered to its customer base. All syndicated loans and remittance-backed financing undertaken by the Issuer require the approval of its Board of Directors.

Subsidiaries

Besides its flagship banking institution, DenizBank Financial Services Group includes five domestic and three international financial subsidiaries, six domestic non-financial subsidiaries and a branch in Bahrain. The Group's domestic subsidiaries include DenizInvest, DenizREIT, DenizAsset Management, DenizLeasing, DenizFactoring, Intertech, DenizKültür, Ekspres IT and Trade, Hızlıöde Electronic Money and Payment Systems, Açık Deniz Radyo-TV and Bantaş. DSFG's foreign subsidiaries include Eurodeniz, DenizBank AG and DenizBank Moscow.

Below is a description of the Issuer's primary operating subsidiaries.

Domestic Subsidiaries

Domestic Financial Subsidiaries

DenizLeasing

DenizLeasing was founded in 1997 in order to provide financial leasing solutions to its customers. As of 31 December 2019, DenizLeasing's main shareholders were Denizbank AG (51%) and Denizbank A.Ş. (49%), respectively. However, on 24 January 2020, Denizbank AG transferred all of its shares to Denizbank A.Ş., making Denizbank A.Ş. DenizLeasing's sole shareholder. As at 31 December 2019, DenizLeasing had 72 employees.

DenizLeasing offers Financial and Operational Leasing service to investors in the Corporate, Commercial, SME and Agriculture segments who need modern financing methods. From 1997 to today, DenizLeasing, which aims to become the leading company in its field thanks to its customer-oriented approach and principle of developing new products according to customer needs. DenizLeasing works to strengthen its position in the financial leasing sector by targeting selective financing opportunities and through its focus on customer needs. DenizLeasing aims to develop its relations with new and existing customers through its active sales policy and presently offers tailored solutions for customers in the renewable energy, health, real estate and building machinery sectors along with its fleet rental services under the DenizFilo brand.

DenizFilo, which began offering long-term car rental service within DenizLeasing in 2014, was the first brand in Turkey that operated within a leasing company in operational leasing field. DenizFilo aims to ensure customer satisfaction with its professional team by offering extensive, fast and reliable solutions across Turkey. Consistent with this aim, the company offers the safest and most comprehensive service package to customers who are in need of fleet rental services.

With all its products, DenizLeasing will continue to support the Group's portal approach as an important part of the Issuer's "financial supermarket" strategy. DenizLeasing serves all Corporate, Commercial and SME segment customers with its leasing and fleet products.

DenizLeasing provides services for investment financing in line with its strategy of productivity and profitability. As of 31 December 2019, DenizLeasing's gross leasing receivables were TL 2,711 million, and its market share in terms of net leasing receivables was 5.1% in 2019 as compared to 4.5% in 2018 (*source: BRSA*). As of the end of 2019, DenizLeasing owned operational leasing assets of TL 334 million and the number of cars in the fleet totalled 4,300.

DenizFaktoring

Founded in 1998 to provide factoring services for domestic and international commercial and corporate customers, DenizFaktoring is a 100%-owned subsidiary of the DenizBank. DenizFaktoring is a member of the Association of Financial Leasing, Factoring and Financing Companies and Factors Chain International. DenizFaktoring provides factoring services to customers throughout Turkey through its headquarters in Istanbul and its branches in 19 regions of Turkey, as well as through 707 DenizBank branches. As at 31 December 2019, DenizFaktoring had 41 employees.

DenizFaktoring's net profit amounted to TL 2.5 million, TL 101.8 million and TL 61.6 million for the years ended 31 December 2019, 2018 and 2017, respectively. DenizFaktoring's market share in profitability in the Turkish factoring sector increased from 6.5% in December 2018 to 7.5% in December 2019 (*source: Banking Regulation And Supervision Agency*).

According to the BRSA, the receivables factored by DenizFaktoring amounted to TL 1,575 million, TL 2,362 million and TL 1,985 million as at 31 December 2019, 2018 and 2017, respectively. DenizFaktoring's factoring receivables market share in the Turkish factoring sector was 4.4% and 6.7% as at 31 December 2019 and 2018 respectively. (*Source: Banking Regulation And Supervision Agency*).

DenizFaktoring concentrates on collection management services and supplier finance services for corporates and intends to continue to be actively involved in targeting customers of the Issuer's SME and Commercial and Corporate Banking segments. DenizFaktoring aims to be a leader in the Turkish factoring market through developing innovative technology-driven products, such as "Deniz'e Çek Gönder (Send a Cheque to Deniz)", which allows customers to access factoring services through their smartphone or tablet.

Domestic Non-Financial Subsidiaries

Intertech

Established to provide IT services to the financial sector, Intertech has operated under the umbrella of DenizBank Financial Services Group (**DFSG**) since 2002. Though it reports to the DenizBank COO, Intertech provides innovative and effective solutions and superior quality services for 54 institutions in 11 countries apart outside DFSG. Intertech has developed four core banking packages used in many domestic and foreign banks, and has capitalised on its experience and expertise to further upgrade its product range. Intertech, a strategic solution partner of Microsoft, has built its inter-Vision integrated banking platform using Microsoft's latest technologies, such as .NET and Microsoft SQL Server. In the last two years, Intertech has been working on open source applications and cloud based SaaS and PaaS services. Intertech provides cutting-edge IT solutions recognised by multiple international awards, which help the Issuer to achieve its targets of operational excellence and providing a unique customer experience. Intertech has received numerous awards and accolades since its founding. For example, in 2019, Interteach received awards in the "Turkey-Based Software Development – Finance Sector" and "Software - Finance Sector" categories as well as the special "Contributor to the Turkish Economy" award from Bilişim-500 research awards.

In addition, the Issuer garnered five awards at the Smarties Turkey, a prestigious mobile marketing organisation, and at the Smarties EMEA 2019 with the fastPay digital wallet product developed by Intertech. The Issuer was presented with Gold in the "Mobile Payment" category, Silver in "Cross-Media" category and Bronze in "Mobile Application" category at the Smarties Turkey awards. At the Smarties EMEA awards, DenizBank won Gold in the "Mobile Payment" category and Silver in "Mobile Application" category.

Intertech also ranked first in the "Test Management Team of the Year" category at the European Software Testing Awards 2019 in London. Intertech's quality-oriented software development cycle and products have also been recognised internationally.

Intertech's new, integrated finance platform "inter-Vision" has increased the number of countries in which it provides service to 11 after its expansion to Egypt. ("inter-Vision" previously reached Austria, Bahrain, Germany, the Turkish Republic of Northern Cyprus, Saudi Arabia, Turkey, Albania, Kosovo, Lebanon and Azerbaijan) "inter-Vision" also provides services to 54 institutions.

DenizKültür

Established in 2004 to organise and support scientific research, arts, literature and other cultural activities, DenizKültür represents the Group's corporate and social mission through various educational, cultural, arts and sporting events.

Ekspres IT and Trade

Ekspres IT and Trade (Ekspres Bilgi İşlem ve Ticaret A.Ş.) joined the Group at the end of 2002 and focuses on offering equity investment services for foreign institutional investors. In particular, Ekspres IT and Trade provides IT services, solutions and systems integration, communication network services, system installation and operation services, IT support and consultancy services. Ekspres IT and Trade is the result of a merger in 2013 between EkspresInvest and DenizInvest, which was ultimately completed in June 2016.

Hızlıöde Electronic Money and Payment Systems

On 12 November 2019, Deniz Kartlı Ödeme Sistemleri Anonim Şirketi an existing 100% subsidiary of the Issuer, was renamed Hızlıöde Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi (Hızlıöde Electronic Money and Payment Systems). The aim is for Hızlıöde Electronic Money and Payment Systems to operate as a payment and electronic money institution and an application for the operating permit was made to BRSA on 14 November 2019 for this. As of January 1, 2020, the Central Bank of the Republic of Turkey

(CBRT) has taken full responsibility for the Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, including the license application for and the audit. The application is being processed. Preparations are ongoing for the transfer of the fastPay app to this company. With this transfer, the new enterprise aims to become Turkey's largest electronic money company with the fastPay platform. The new organisational structure will boost fastPay's collaboration possibilities and extend its areas of activity.

Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş.

Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş. was established in 2009 as 100% subsidiary of İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. The company carries out radio and television broadcast activities in DenizBank Financial Services Group in line with the Law numbered 3984 on the Establishment of Radio and Television Enterprises and Their Broadcasts and terms of relevant legislation.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

Bantaş was established on 8 January 2009 in partnership of Denizbank A.Ş., Finansbank A.Ş. and Türk Ekonomi Bankası A.Ş. to carry out activities in valuable deliveries, logistics and security services. The company provides cash transportation, processing, custody services to banks and institutions as well as ATM cash support and ATM primary level maintenance services within the framework of the Law numbered 5188 on Private Security Services. DenizBank receives support from Bantaş for cash transportation and transactions among Branches, Group Centres and Banks.

Investment Management

DenizBank's investment management segment conducts its non-bank financial activities in private banking, portfolio management and securities broking through its subsidiaries DenizYatırım Menkul Kıymetler A.Ş. (**DenizYatırım**), DenizPortfolio Management and Deniz Real Estate Investment Trust (**DenizREIT**) as well as through its Private Banking group. Product and service offerings of these subsidiaries are also marketed through DenizBank branches and DenizYatırım branches.

DenizYatırım Securities

DenizYatırım was established in 1998 and is a 99.98567% owned subsidiary of DenizBank. (0.00367% Hakan Ateş, 0.00333% Tanju Kaya, 0.00367% Ali Murat Dizdar and 0.00367% Bora Böcügöz). As at 31 December 2019, DenizYatırım had 221 employees and operated through 27 DenizBank branches, servicing a total of 231,621 accounts.

DenizYatırım's core business is the provision of capital markets services, including intermediation for the purchase and sale of capital market instruments, intermediation for the issuance or public offering of capital market instruments, intermediation for the purchase and sale of derivative instruments, repurchase and reverse repurchase of capital market instruments, investment advisory services, portfolio management services, margin trading, short selling, securities lending and custody services. In addition to providing a domestic derivatives brokerage service, DenizYatırım also provides an international derivatives brokerage service in respect of listed derivatives. DenizYatırım has been providing electronic trading services on the Borsa İstanbul for international institutional investors since 2006, and in 2007 DenizYatırım launched its electronic trading platform to provide direct access to the Borsa İstanbul for foreign institutional investors.

As at 31 December 2019, DenizYatırım ranked tenth among brokerage houses in Turkey in equity trading with a TL 153 billion trading volume and 3.63% market share and sixth in derivatives trading with a TL 120 billion trading volume and 4.17% market share (*source*: *Borsa İstanbul*). DenizYatırım's net commission income and total operating income figures were TL 119.3 million and TL 213.0 million, respectively, for the year ended 31 December 2019. DenizYatırım's assets were TL 719.1 million as at 31 December 2019. As at 31 December 2019, DenizYatırım's paid-in capital was TL 150 million.

Deniz Portfolio Management

Deniz Portfolio Management (**DPM**) was acquired by DenizYatırım in 2003, and provides asset, portfolio, and fund management services to individual and institutional customers on behalf of the Group.

As at 31 December 2019, DPM had established 34 mutual funds that it managed in-house and in addition managed 21 pension funds (of which 20 pension funds were managed for Metlife Emeklilik and 1 pension fund was managed for Garanti Emeklilik). As at 31 December 2019, mutual fund assets under management increased to TL 6.3 billion, from TL 2.6 billion as at 31 December 2018, which gave DPM a 5.8% market share. Combined, mutual fund and pension fund assets under management increased to TL 8.6 billion as at 31 December 2019 from TL 3.3 billion as at 31 December 2018.

DPM has been one of the prominent players in the sector by providing private funds tailored to the needs and requests of high net worth (**HNW**) individuals. DPM will continue to focus on providing bespoke investment solutions to HNW clients as well as providing a lean but comprehensive product universe for retail clients.

Deniz Real Estate Investment Trust

Deniz Real Estate Investment Trust (**DenizREIT**) was established in 2014 and is a publicly traded corporation on the Borsa İstanbul. DenizREIT manages real estate (including both real estate projects and real estate securities), capital market instruments and other assets and securities which are defined by the Capital Markets Board. The main shareholder is Deniz Investment, which holds 80% of DenizREIT's share capital. DenizREIT's issued share capital is TL 50 million.

As of 31 December 2019, DenizREIT's assets amounted to TL 877.5 million, which corresponded to a market share of 1%. DenizREIT has TL 219 million of commercial properties in total. In addition, DenizREIT is currently developing real estate projects which include Le Chic Tarabya project located in Istanbul, Tarabya worth TL 309 million and Le Chic Bodrum project located in Bodrum worth TL 206 million.

Private Banking

DenizBank Private Banking was established in 2004 to provide exclusive and customised services, such as investment, pension and credit services to target clients in this segment. Private Banking is available to individuals and firms with assets under management of at least TL 1 million. Using its portal approach, DenizBank Private Banking opens all Group products and services to its clients.

In order to maximise network synergy while performing Private Banking services, the group acts as a separate, but complementary business line, all of the profits of which are distributed to the network and main operating segments respectively.

The main pillars of DenizBank Private Banking are:

- Being the client's financial expert: through financial investments coaching and partnership, DenizBank Private Banking offers a tailored and proactive approach to understanding the expectations of its clients. Its strategy is to listen to the customer, analyse the customer's needs, find solutions and monitor results.
- Portal approach: DenizBank Private Banking makes all Group products and services available to its clients according to their risk/return perception.
- Being in the network, with the network: DenizBank Private Banking cooperates with the Issuer's network to provide premium services to its clients and cedes the revenues from its services to the branches under its 100% retrocession policy.
- Operational efficiency: DenizBank Private Banking aims to provide premium services to its customers at a low cost and high efficiency.

DenizBank provides its private banking services through seventeen dedicated centres (five in İstanbul two in İzmir & Ankara and one in each of Bursa, Tekirdağ, Kayseri, Antalya, Samsun, Adana, Bodrum and Diyarbakır). In Bodrum, Diyarbakır, Kayseri, Samsun and Tekirdağ, DenizBank Private Banking is the first and only bank among its peers to have a dedicated Private Banking centre. In addition, customers are served

24/7 through the Issuer's alternative distribution channels, including internet banking and a dedicated call centre.

DenizBank Private Banking offers a wide variety of tailor-made and structured services and products such as deposits (i.e. multi-currency deposits), sovereign and corporate bonds, eurobonds, mutual funds including capital protected funds, FX and equity derivatives, tailor-made retail loans, personalised risk and wealth analysis and upscale pension plans. Specialised personnel analyse the investment strategies and needs of customer and provide products and services designed to meet the customer's risk/return profile. DenizBank Private Banking also intends to provide added value through lifestyle services such as discounts on airport car parks, discounts on airline tickets, discounts at certain luxury restaurants, e-magazine and sailing events.

As at 31 December 2019, the total number of Private Banking's active customers was 7,307, a 20% increase from 6,066 as at 31 December 2018, which in turn represented an increase of 49% from 4,909 as at 31 December 2017. As at 31 December 2019, the total value of assets under management by Private Banking was approximately TL 43.5 billion, compared to TL 31.4 billion and TL 28.1 billion as at 31 December 2018 and 2017, respectively.

International Subsidiaries

DenizBank conducts overseas operations through its subsidiaries in Austria (DenizBank AG), Russia (DenizBank Moscow) and the Turkish Republic of Northern Cyprus (EuroDeniz International Banking Unit Ltd.). The Issuer also has a branch in Bahrain.

DenizBank AG

DenizBank AG is a wholly-owned subsidiary of DenizBank A.Ş. It was acquired from the SDIF (Savings Deposit Insurance Fund) in 2002 and in addition to the Issuer's direct shareholding in DenizBank AG, it also has an indirect shareholding (27.90%) through Deniz Finansal Kiralama A.Ş. DenizBank AG is a licensed commercial bank, headquartered in Vienna, under the supervision of the National Bank of Austria and the Austrian Financial Markets Authority. DenizBank AG also provides coverage of Germany through its branch in Frankfurt and fifteen sub-branches. DenizBank AG's core business areas include corporate, retail and private banking as well as project finance and treasury activities. The Issuer also provides savings and deposit products in the Austrian and German retail markets. As at 31 December 2019, DenizBank AG had 43 branches (27 in Austria and 16 in Germany), 452 employees, 197 thousand active customers, customer deposits of €8.5 billion and was the fifth most profitable bank in Austria as of 31 December 2018 according to the Bank Association of Austria.

DenizBank AG's total assets amounted to €10.6 billion as at 31 December 2019 (compared to €11.0 billion, and €10.6 billion as at 31 December 2018 and 2017, respectively). Its net profit was €102.7 million for the year ended 31 December 2019 (compared to €190.0 million and €169.6 million for the years ended 31 December 2018 and 2017, respectively).

DenizBank Moscow

C.J.S.C. DenizBank Moscow (**DenizBank Moscow**) is a wholly-owned subsidiary of DenizBank A.Ş., with an indirect (51%) shareholding through DenizBank AG. DenizBank Moscow was acquired from the SDIF in 2003. It is a licensed commercial bank under the supervision of the Central Bank of the Russian Federation. DenizBank Moscow's core business areas are corporate banking and treasury services for blue-chip Turkish corporates active in the Russian Federation. As of 31 December 2019, DenizBank Moscow had customer deposits of U.S.$53 million, loans of U.S.$211 million, 73 employees, 612 active customers and 41% loan market share among Turkish banks operating in Russia as of 31 December 2019 according to the Central Bank of Russia.

DenizBank Moscow's total assets amounted to U.S.$298 million as at 31 December 2019 (compared to U.S.$263 million, and U.S.$299 million as at 31 December 2018 and 2017, respectively). Its net profit was U.S.$9.8 million for the year ended 31 December 2019 (compared to U.S.$12.2 million and U.S.$10.7 million for the years ended 31 December 2018 and 2017, respectively).

EuroDeniz International Banking Unit Ltd.

As part of the DenizBank's international business development strategy, DenizBank acquired EuroDeniz International Banking Unit Limited (**EuroDeniz International**) from the SDIF in 2002. EuroDeniz International operates in the Turkish Republic of Northern Cyprus. Its core business lines include the provision of corporate and commercial banking services to DenizBank's customers. As of 31 December 2019, EuroDeniz International had customer deposits of U.S.$ 77 million, assets of U.S.$84 million, net profit of U.S.$ 38 thousand, 4 employees and 7 active customers.

DenizBank has also provided corporate banking services through its wholesale banking branch in Bahrain since 2002, mainly through project financing, investment and working capital loans.

DenizBank Bahrain Branch

DenizBank maintains a single branch in Bahrain, which as of 31 December 2019 had customer deposits of U.S.$0.7 billion, assets of U.S.$2.3 billion, loans of U.S.$2.0 billion, 6 employees and 492 active customers.

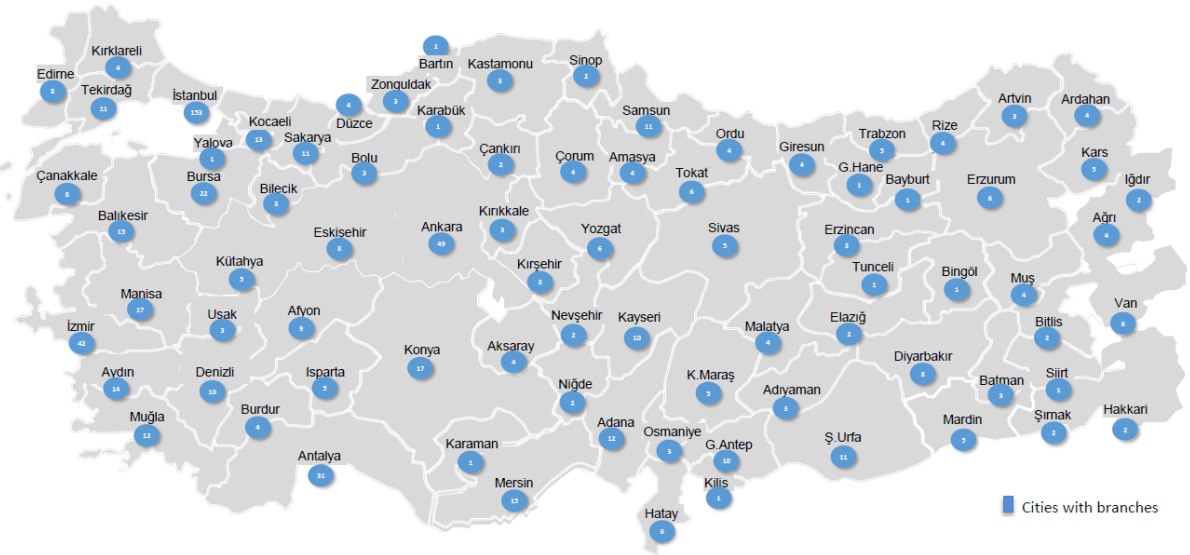
Distribution Network

DenizBank has an extensive distribution network, consisting of traditional banking outlets, including branches, representative offices, ATMs, automated cash deposit machines, and POS credit and debit card terminals, and non-traditional distribution outlets such as home and office banking (through the use of the Internet, personal computers and smartphones).

Branches

As of 31 December 2019, the Issuer had 708 branches across Turkey and Bahrain, in addition to 43 branches of Denizbank AG, the Issuer's Austrian subsidiary, in Austria and Germany. The Issuer is one of three private banks in Turkey with a branch network in all 81 provinces. While the Issuer's branch network covers all regions in Turkey, most of the branches are in the largest cities, with 60% of the Issuer's branches being located in the 16 largest cities (including İstanbul, Ankara, İzmir, Bursa, Antalya, Adana, Kocaeli, Konya, Mersin, Gaziantep, Kayseri, Samsun, Sakarya, Eskişehir, Diyarbakır and Erzurum as of 31 December 2019. As of 31 December 2019, 683 of the Issuer's branches were retail related. As of 31 December 2019, the Issuer's corporate commercial branch network consisted of 24 branches and the Issuer's private banking network comprised 17 private banking centres.

Below is an illustration of the Issuer's branch network across Turkey.



Alternative Channels

In addition to traditional branches, the Issuer provides services to consumers through various alternative distribution channels. Alternative distribution channels are currently an important focus for the Issuer as it

seeks both to increase the efficiency of branches and to generate increased revenue through new and current alternative distribution channels. The Issuer is enhancing the range of alternative distribution channels and products in order to move more banking transactions away from traditional branches.

Through the effective utilisation of advanced technology, the Issuer's customers are able to perform a wide range of transactions such as bill and periodic payment, account management, cash management and investment transactions through the Internet, contact centre, mobile banking, ATM and kiosk channels. The Issuer also uses its alternative distribution channels for customer relations, promotional campaign and cross-selling activities. As of 31 December 2019, the Issuer handled 52 million calls, achieved TL 14 billion of collections and completed TL 5 million of sales through non-branch channels.

ATMs

Customers can perform banking transactions at DenizBank ATMs 24 hours a day, seven days a week. As of 31 December 2019, the Issuer had 3,029 ATM machines and nearly 106 million transactions done via ATMs, both at branches and at stand-alone ATMs. As of 31 December 2019, 64% of the financial transactions of the Issuer was performed at the ATMs, both at branches and at stand-alone ATMs. The Issuer continues to grow its ATM network throughout Turkey. In addition, in order to decrease ATM and funding costs, an ATM network-sharing cooperation agreement was signed with FinansBank and TEB in May 2019, which has enabled customers of each of these banks to make withdraws from the others' ATMs without any additional fees.

All of the Issuer's ATMs can accept cash deposits. 'Recycle ATMs' (where the banknotes deposited can be also used for withdrawal) have also been deployed in order to reduce the Issuer's operational cost and to optimise the efficiency of its ATM Network.

Additionally, the Issuer offers an ATM cardless transaction facility, which allows customers to carry out certain transactions without having to carry a card, subject to security procedures.

The Issuer's ATM infrastructure, interface and transaction flows have been renewed to provide unique customer experience in line with the Issuer's digital channels strategy.

In order to improve digital convergence, the Issuer has implemented "Cash Withdrawal via QR Code" transactions and is improving its "Cash Deposit via QR Code transactions". The Issuer's "Cash Withdrawal via QR Code" transactions enable the Issuer's customers to withdraw U.S. dollars, Euros and Turkish lira via QR codes without a card and without touching an ATM. The Issuer aims to increase the number of transactions that can be performed via QR codes.

As of 31 December 2019, the Issuer earned TL 255 million in banking commissions from its customers, and other banks' domestic and foreign based customers.

In addition to being the most frequently visited high volume transaction processing channel, the Issuer continued its focus on sales offers at ATMs.

Digital Banking

As of 31 December 2019, Digital Banking had 2.5 million individual customers and 170 thousand corporate and commercial customers. On the mobile banking side, the Issuer had 2.4 million active mobile banking customers including 2.2 million "Individual Mobile Banking" customers and 190 thousand "Corporate Mobile Banking" customers. The Issuer's number of active Digital Banking customers has increased 26% from December 2018 to December 2019. The number of Mobile Banking active customers has increased 44% from December 2018 to December 2019. The share of non-cash transactions executed through digital banking as a percentage of all non-cash transactions had increased to 93% as of 31 December 2019.

As of 31 December 2019, 19% of GPL sales were made via digital banking channels (of which 20% were through the internet and 80% through mobile applications). Digital banking services are currently provided through internet banking and mobile banking applications.

Deniz Aquarium – Innovation Office

Deniz Aquarium is the Issuer's newly built Innovation Hub. Deniz Aquarium will be the home of some new initiatives from the Innovation Office. Such initiatives include: corporate start-up engagement programs, corporate entrepreneurship programs, initiatives focused on cultivating an innovation-focused culture within

the organisation, API technologies, corporate venture capital initiatives and the blockchain lab. These initiatives will be the pillars of Deniz Aquarium and represent a strategic focus for the Issuer. The main concentration will be on new and emerging technologies that can aid or disrupt banking and related services. Most of our initiatives are deeply interconnected and will work together from the beginning. However, all pillars will have their individual focus on some key areas that require specific expertise. Corporate start-up engagement programs will focus on running an accelerator program that will help start-ups scale up their business and create value for the whole Turkish start-up ecosystem. The corporate entrepreneurship unit will run a program similar to that of an incubator; however the focus will be internal, rather than external. The API technologies unit will focus on the Issuer's open banking activities. Corporate venture capital will be our tool for supporting our start-up partners. The blockchain lab will differ slightly in practice, and its main focus will be on developing new business cases that will disrupt current banking systems.

Social networks

The Issuer uses social networks, such as Facebook™ and Twitter™ to reach its customers allowing users to manage their daily banking activity on these platforms. The Issuer uses Facebook™ to attract and retain customers (there are 53 million Facebook™ users in Turkey) through product sales such as credit cards and consumer loans as well as through "tycoon games™" and "viral marketing".

DenizBank.com

The Issuer's corporate web site is designed as a sales-focused corporate website. It offers quick and easy product applications which only require two pieces of information. The design allows the Issuer to adapt the design of the site quickly to celebrate special days and occasions. The site also allows the Issuer to track previous browsing history and offer relevant content to clients when they next access the site.

Competition

In recent years, the banking sector has become increasingly important to the Turkish economy and foreign banks have become increasingly involved in the sector.

According to the Banking Regulation and Supervision Agency (**BRSA**), as of 31 December 2019, there were a total of 51 banks licensed to operate in Turkey (including six participation banks). According to BRSA, as of 31 December 2019, the five largest banks in Turkey held approximately 57% of the banking sector's aggregate loan portfolio and approximately 54% of aggregate banking sector assets in Turkey. Among the 10 largest banks, there are three state owned banks: Ziraat (ranked first), Halkbank (ranked second) and Vakıfbank (ranked fourth), which constituted approximately 35% of the total banking sector assets as of 31 December 2019. Foreign banks have shown an increased interest in the banking sector in Turkey in recent years. Foreign banks such as BNP Paribas, Burgan Bank, ING, Qatar National Bank, Commercial Bank of Qatar, UniCredit, Sberbank, Commercial Bank of China and Odeabank have all acquired interests in Turkish banks. Additionally, on 31 July 2019 Emirates NBD acquired 99.85% of the Issuer's shares from Sberbank (as a result of the delisting process, the ownership ratio reached 100% on 13 December 2019).

According to BRSA statistics, as of 31 December 2019, 2018 and 2017, the Issuer's market share in loans, deposits and assets were as follows:

	As of 31 December		
	2019	**2018**	**2017**
		%	
Net Loans (inc. factoring & leasing receivables)	5.2%	5.6%	5.3%
Customer Deposits	6.0%	6.7%	6.2%
Assets	4.8%	5.1%	4.9%

Source: Banking Regulatory and Supervisory Agency (BRSA)

As of 31 December 2019, according to BRSA statistics, the Issuer was the fifth largest private bank in Turkey by total assets and ranked fifth among private banks in terms of cash and non-cash loans (including

letters of guarantee, letters of credit and acceptances) with a 4.2% market share, and had a market share of 4.2% in consumer loans (ranking sixth among private banks) including mortgages, general purpose and auto loans. As of 31 December 2019, the Issuer's market share in total deposits among private banks was 6.0% (compared to 6.7% as of 31 December 2018 and 6.2% as of 31 December 2017) according to BRSA statistics.

As of 31 December 2019, the Issuer's market share in total cash loans was 5.2% (compared with a market share of 5.6% as of 31 December 2018 and 5.3% as of 31 December 2017) according to BRSA statistics. As of 31 December 2019, the Issuer ranked eighth, with a revenue (before provisions) market share of 5.3% for the year ended 31 December 2019 according to BRSA statistics. The Issuer's management views Finansbank and TEB as the Issuer's main competitors.

As of 31 December 2019, the Issuer has a 6.0% market share in credit card outstanding volumes (ranking seventh) according to BRSA statistics, 6.6% market share in credit card issuing volumes (ranking eighth) and 7.0% market share in number of credit cards (ranking eighth), according to the Interbank Card Centre data). As of 31 December 2019, the Issuer was ranked eighth among private banks with a 4.2% market share in non-cash loans according to the BRSA statistics.

As of 31 December 2019, the Issuer also ranked highly in some of its key sectors, including agricultural banking where it ranked first among private banks in the sector in Turkey with a market share of (44%) and with its senior salary payment customers, where it ranked first among private banks.

Employees

As at 31 December 2019, DenizBank had 12,279 employees, 7,250 of whom are based in branches and 5,029 of whom are based in the head office. Together with its subsidiaries employees, the Group had 14,343 employees in total.

The following table sets out the distribution of DenizBank employees in branches, in the head office and in subsidiaries as at 31 December 2019, 2018 and 2017:

	As at 31 December 2019	*2018*	*2017*
Number of Branch Employees	7,250	7,228	7,327
Number of Head Office Employees	5,029	4,558	4,930
Number of Subsidiaries' Employees	2,064	2,036	1,879
Total DFSG	14,343	13,822	14,136

The average age of DenizBank's employees is 35 years old. 54% of the Issuer's employees are female and 58% of them hold at least one university degree. In 2019, DenizBank conducted an employee satisfaction survey in which the Issuer scored above average as compared to participants in all sectors of its business in Turkey. DenizBank's employee turnover ratio for the year ended 31 December 2019 was below the sector average of approximately 5%, with resignation turnover at 4.3% for DenizBank and 5.5% for the Group as a whole. For the year ended 31 December 2019, 87.5% of managerial promotions within the Group were made from among existing employees.

DenizBank operates a competitive remuneration policy. Pay awards are intended to reward success and are comparable to those awarded by DenizBank's competitors in the Turkish financial sector. DenizBank operates a number of bonus schemes, tailored to reward performance at different levels within the Issuer. For the year ended 31 December 2019, the Issuer paid an average of 2.8 times monthly salary for performance bonus payments and other incentive-based compensation.

All employees are covered by the Turkish Social Security System and governmental legislation in respect of labour relations. In addition, DenizBank provides private health insurance to its employees, their spouses and

children. DenizBank operates a company pension scheme through Deniz Emeklilik ve Hayat (Deniz Pension and Life) of which all permanent employees are members, under which DenizBank makes contributions which vary according to the employees' job title.

Deniz Academy, the Issuer's training department, provides numerous training programmes designed for employees at all levels of seniority. It aims to provide a rapid induction programme for new members of staff, to equip employees with the skills required to take on management roles, to assist current managers in their ongoing development and to instil DenizBank's values across the Group as a whole. Deniz Academy maintains e-learning applications and a virtual development centre, and assists employees in the determination of their individual training plans which are recorded in the Deniz Academy portal. In 2019, Deniz Academy provided 873 thousand hours of training, an average of 10 days per employee.

Information Technologies

IT plays a significant role in helping DenizBank to achieve its targets. The Issuer currently runs its operations on the inter-Next Integrated Banking Platform, which was developed by Intertech, a wholly owned subsidiary of DenizBank. The inter-Next Integrated Banking Platform was awarded the 21st Century Achievement Awards in the Finance, Insurance and Real Estate category by Computerworld Honours Program 2010.

DenizBank continues to invest in IT to improve its automation, efficiency, service quality and sales forces in line with its business strategy. Overall expenditure on IT, including infrastructure as well as software projects, amounted to €54 million for the year ended 31 December 2019 (compared to €37 million and €25 million for the years ended 31 December 2018 and 2017, respectively). The overall budgeted expenditure for IT in 2020 is €53 million.

DenizBank's IT production centre, which is located in Istanbul, is supported by a disaster recovery centre managed by Hewlett Packard, located in Ankara, more than 350 km from İstanbul. In a disaster recovery situation, the centre would serve as the Issuer's production system, using the latest available data through digital lines. System tests and banking application tests at the disaster recovery centre are carried out twice a year. There has been no reported attack to the main IT system (including attempted identity theft) in the last three years.

DenizBank has complied with the Control Objectives for Information and related Technology (**COBIT**) best practices for information technology, a bi-annual BRSA requirement since 2006. The Issuer's COBIT assessment for the years 2006 through 2019 has been carried out by KPMG, Deloitte and E&Y.

Property

As at 31 December 2019, the total book value of the properties of DenizBank (comprising land and buildings) was TL 239.4 million compared to TL 218.8 million and TL 170.8 million as at 31 December 2018 and 2017, respectively. Eleven branches are located on sites owned by DenizBank, and the remainder are leased.

The Issuer also has investment properties held by DenizREIT for the purpose of making lease profits. As at 31 December 2019, this investment property amounts to TL 218.7 million as compared to TL 202.0 million and TL 171.5 million as at 31 December 2018 and 2017, respectively.

Loans to Members of the Board of Directors and Key Management

DenizBank currently has TL 1.2 million principal amount of loans outstanding to members of the Board of Directors and other key management personnel. None of the Directors or executive officers of DenizBank has any interest in any transaction effected by DenizBank.

Insurance

The Issuer maintains insurance policies with levels of coverage it deems necessary given the nature of its business. The Issuer's fixed assets, cash in transit and cash in hand are covered by general insurance arrangements covering normal risks. The Issuer maintains insurance on its properties, including its head office and branches and personal property, with respect to such risks, including earthquakes and terrorist attacks, and in such amounts as the Issuer deems appropriate. The Issuer generally requires that real property assets owned by borrowers which form part of the collateral for loans the Issuer makes are insured. The

Issuer does not have any credit risk insurance in relation to defaults by its customers as this type of insurance is generally not available in Turkey.

Sanctions

Beginning in 2014, during the period in which the Issuer was owned by Sberbank, the Issuer was subject to European Union sanctions imposed on Sberbank that restricted the Issuer's access to primary and secondary capital markets in the European Union. In 2014, the United States Treasury's Office of Foreign Asset Control (**OFAC**) also added Sberbank to the Sectoral Sanctions Identification List and identified it as subject to certain debt and equity financing restrictions. However, the Issuer petitioned OFAC for a waiver from these restrictions, which the Issuer received on 6 October 2014. Following the sale of the Issuer from Sberbank to Emirates NBD in July 2019, the Issuer is no longer subject to any sanctions.

Legal Proceedings

From time to time, in the ordinary course of its business, the Group is party to legal proceedings, both as a plaintiff and a defendant. There are no legal proceedings pending, or to the Group's knowledge threatened, that may materially adversely affect the Group's business, results of operations or financial condition. As of 31 December 2019, the Issuer has recognised a provision of TL 95 million on a consolidated basis for litigation against the Issuer.

SHARE CAPITAL AND OWNERSHIP

Share Capital

As of the date of this Base Prospectus, the Issuer's share capital consisted of 5,696,099,996 authorised shares with a nominal value of TL 1 each.

Ownership

As at 31 December 2019, 100% of the Issuer's share capital was owned by Emirates NBD Bank PJSC.

MANAGEMENT

The Issuer is managed by its Board of Directors, its General Manager and its senior management.

Board of Directors

Pursuant to the Issuer's articles of association, the Board is responsible for the Issuer's management. The Bank's articles of association stipulate that the Board should consist of a minimum of five and a maximum of fifteen members nominated and elected by the General Assembly, with the General Manager holding a board seat, as required by the Banking Law. The Board is currently composed of 9 members. Each director is appointed for a renewable term of three years. Three of the members of the Board reside in Dubai, while seven reside in Turkey.

The following table sets forth certain information regarding each member of the Board as of the date of this Base Prospectus.

Name	Position
Hesham Abdulla Al Qassim	Chairman
Mohamed Hadi Ahmed Al Hussaini	Vice Chairman
Hakan Ateş	Member and CEO
Nihat Sevinç	Vice Chairman and Member (Independent)
Shayne Nelson	Member
Jonathan Edward Morris	Member
Deniz Ülke Arıboğan	Member (Independent)
Wouter Van Roste	Member
Derya Kumru	Member

Hesham Abdulla Al Qassim, Chairman of The Board of Directors

Mr. Al Qassim graduated from Higher Colleges of Technology with a Diploma in Business - Banking and Finance in 1995. He started his career at National Bank of Dubai as a Chairman. During his time in National Bank of Dubai, he also attended University of Wollongong and got his master's degree in International Business Management in 2001. He is currently appointed as Vice Chairman and CEO of Wasl Asset Management Group, Vice Chairman, Managing Director and CEO of Dubai Real Estate Corporation, Vice Chairman and Managing Director of Emirates NBD Bank PJSC and Chairman of Emirates Islamic Bank PJSC.

Mohamed Hadi Ahmed Al Hussaini, Vice Chairman of The Board of Directors

Mr. Al Hussaini got his bachelor's degree in International Business from Franklin College and continued his graduated degree in Webster University. In 1998 he received his master's degree in International Business. After graduating he joined The National Bank of Dubai as a mobile officer/branch manager and managed the local market share trading office. In 2001, he started to work for Bright Start, a private investment company, as a Managing Director. Since 2008, he is acting as an Executive Director at H&H Investment and Development, which is a Dubai-based Real-Estate investment, development and management company. Among others, Mr. Al Hussaini is also a board member of Emirates NBD, Emirates Islamic Bank, Dubai Refreshments Company, Dubai Real Estate Corporation.

Hakan Ateş, Member of the Board of Directors, CEO

Born in 1959, Mr. Ateş graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration after completing his studies at TED Ankara College. He started his banking career in 1981 as an Internal Auditor at İşbank. After serving at various Interbank units from 1986 to 1993, he worked as Branch Manager at Elmadağ, Şişli, Bakırköy, İzmir and Central Branches. He established Interbank's Cash Management System and was promoted in 1993 as Executive Vice President in charge of Central Operations. Mr. Ateş worked as Executive Vice President in charge of Financial Affairs and Operations at Bank Ekspres between the years of 1994 and 1996 and led the bank's restructuring project with Bank of America. He established Garanti Bank Moscow in Russia and

worked as CEO for one year starting from June 1996. He has continued his duties as President & CEO at DenizBank, where he started in June 1997 as the Founder President. During his management tenure, DenizBank shares were offered to public in October 2004 where 5.5 times oversubscription was recorded. His management also ran the process of selling Zorlu Holding owned DenizBank shares to Dexia S.A. in May 2006 for U.S.$3.250 billion with 4.7 times its book value which is a record in Turkey, as well as the sales process of 99.85% of DenizBank shares owned by Dexia Group to Sberbank 6 years later in June 2012 for U.S.$3.6 billion with 1.33 times its book value. He is also serving as the Chairman of the Board of Directors at DenizBank subsidiaries Deniz Yatırım Securities, Intertech A.Ş, DenizBank Moscow and DenizBank AG Vienna, Hakan ATEŞ was granted the "Those who Add Value to Turkey" award presented by Bahçeşehir University in 2015. Hakan Ateş is with two children. He speaks fluent English.

Nihat Sevinç, Vice Chairman of The Board of Directors (Independent)

Born in 1952, Mr. Sevinç graduated from İstanbul University, Faculty of Literature, English Language and Literature. Starting his career at Interbank in 1986, he held several duties at Branches, Central Operations and Capital Market Departments until 1994. Mr. Sevinç served as Department Head at Branch Operations, Internal Control and Legislation Departments at HQ of Bank Ekspress until 1996. He worked as Deputy General Manager at GarantiBank Moscow between 1996 and 1997. He joined DenizBank in 1997, served as Executive Vice President of Operations until 2002 and as Executive Vice President of Foreign Subsidiaries from 2002 to 2007. Mr. Sevinç has continued his duty as Independent Board Member at DenizBank A.Ş. from December 2012. As of March 2018, he was appointed as Vice Chairman of the Board of Directors serving until March 2021.

Shayne Nelson, Member of The Board of Directors

Mr. Nelson was born in 1959. In 1982, he started The Western Australian College of Advanced Education (now Edith Cowan University) for his bachelor's degree in business. In 1995, he received Australian Institute of Company Directors Diploma from University of New England. Mr. Nelson started his banking career in 1984 as Corporate Finance Manager's Assistant. Throughout 35 years of his career, Mr. Nelson also completed many leadership and technical programs from highly regarded institutions. Prior to his Emirates NBD career, Mr. Nelson worked at Standard Chartered Bank for 16 years and he worked as the Head of Corporate and Institutional Banking for Westpac Banking Corporation in Western Australia. During his time in Standard Chartered Bank, he worked in different executive positions and different countries. Earlier in his career, his positions included Standard Chartered Chief Risk Officer for Wholesale Banking, Regional Head of Corporate and Institutional Banking Audit in the Asia Pacific Region and India, as well as Regional Head of Credit in Hong Kong, China and North East Asia. He served in Singapore as the Chief Executive Officer of Standard Chartered Private Bank. He was also the Chairman of Standard Chartered Saadiq Islamic Advisory Board and a Board member of Standard Chartered Bank (China) Ltd. Shayne's previous high profile positions in the banking arena include Regional CEO of Standard Chartered Bank Middle East and North Africa, Chairman of Standard Chartered (Pakistan) Limited, and Chairman of the Banking Advisory Council to the Board of the Dubai International Financial Centre. He also held the position of Chief Executive Officer and Managing Director of Standard Chartered Bank, Malaysia Berhad. He left his position as CEO of Standard Chartered Bank, Singapore in 2013 and became a member of Emirates NBD PJSC family. Other being the Group CEO, he is also a board member of Emirates NBD Capital, Emirates Financial Services, Emirates Islamic Board Audit Committee, Emirates Islamic Board Risk Committee, Emirates Islamic Board Nomination & Remuneration Committee, Emirates Islamic Board Credit & Investment Committee and Marsh Emirates Insurance Brokers LLC. Also, he founded Higher Colleges of Technology Industry Advisory Council in 2014 and he is still part of the council. A Graduate Member of the Australian Institute of Company Directors, Shayne is also an Associate Fellow of the Australian Institute of Managers.

Jonathan Edward Morris, Member of The Board of Directors

Mr. Morris was born in 1963 and graduated from Loughborough University in 1985 with a BSc (Hons) degree in Banking & Finance. He joined HSBC on their graduate programme and during his 14 years at the bank undertook a variety of roles covering Retail Banking and Corporate Banking, predominantly located in London and New York. In 2000, Mr. Morris joined Standard Chartered Bank initially to head the Issuer's Corporate & Institutional business for the UK before becoming the Regional Head for Corporate & Institutional Banking, Europe in 2001. Mr. Morris moved to Dubai in 2003 to undertake a similar role as Head of Corporate and Institutional Banking covering the UAE and Oman and then in 2005 became the

Regional Head for Corporate and Institutional Banking, Africa. In 2008, Mr. Morris relocated to Bahrain as CEO for Standard Chartered before returning to the UAE, which was Standard Chartered's fifth largest market globally, as CEO in 2011. Mr. Morris joined Emirates NBD Bank in 2014 as Senior Executive Vice President and Group Head of Wholesale Banking. He has served as Senior Executive Vice President, Responsible for Turkey as from August 2019.

Deniz Ülke Arıboğan, Member of The Board of Directors (Independent)

Born in 1965, Ms. Arıboğan graduated from TED Ankara College Foundation High School. She received her undergraduate degree in International Relations from the Faculty of Political Sciences at Ankara University. She received her M.A. and PhD degrees from the Institute of Social Sciences, Istanbul University in International Relations. In 1995, Ms. Arıboğan attended the International Security School at the University of St Andrews in Scotland. Her academic career, which started at Istanbul University, continued at Istanbul Bilgi University and Bahçeşehir University. Between the years of 2007-2010, she served as the Rector of Bahçeşehir University. Between the years of 2010-2014, Professor Deniz Ülke Arıboğan served as a member of the Board of Trustees of Istanbul Bilgi University and has worked as a faculty member at Istanbul University, Faculty of Political Sciences as from March 2014 until October 2018 and as Chairman of Advisory Committee of Istanbul Bilgi University as from February 2015 until October 2018. Acting as Senior Fellow at the University of Oxford Harris Manchester College CRIC (Centre for the Resolution of Intractable Conflict) since December 2015, she has been recently assigned as the Dean of Uskudar University as of October 2018. Deniz Ülke Arıboğan has been serving as an Independent Board Member at DenizBank A.Ş since December 2012. As of March 2018 she has been assigned again as the Independent Board Member serving until March 2021.

Wouter Van Roste, Member of The Board of Directors

Born in 1965, Mr. Van Roste graduated from Limburg University (Belgium), Marketing Department. Starting his career at Bacob Bank Belgium in 1989 at Corporate Sales Department, he held several positions at Paribas Bank Belgium and Artesia BC as Head of Corporate Sales, Structured Products, FX Derivatives Departments before joining Dexia in 2002. He worked at Dexia as Deputy Head of Financial Engineering and Derivative Products at Treasury and Financial Markets Group and served at Public and Project Finance Group, Structured Finance and Export Finance Department between the years of 2003-2005. He assumed the duties of Executive Director at Dexia Holding between the years of 2005-2007, Executive Vice President in charge of Public and Project Finance Group at DenizBank A.Ş. in 2007, Executive Vice President in charge of Public Project Finance and Corporate Banking Group at DenizBank A.Ş. between the years of 2007-2009. Wouter Van Roste has continued to serve as the Member of The Board of Directors of DenizBank A.Ş. since June 2009. Wouter Van Roste has also been served as The General Manager of DenizBank AG as from 1 April 2020.

Derya Kumru, Member of The Board of Directors

Born in 1964, Mr. Kumru graduated from Ankara University, Political Sciences and earned an MA degree and Ph.D from Istanbul University, Institute of Social Sciences. Between the years of 1987-1999, he held several positions at Esbank T.A.Ş. and was appointed as Executive Vice President in 1998. Mr. Kumru joined DenizBank Financial Services Group in 1999. After serving as Executive Vice President in charge of DenizBank A.Ş. Corporate Marketing Group, General Manager of DenizLeasing and DenizFactoring, he was appointed as General Manager of DenizBank Moscow in 2004. Between the years of 2009-2011, he served as Executive Vice President in charge of Corporate, Commercial Banking, Public Project Finance and Foreign Subsidiaries Group at DenizBank A.Ş., and from 2011 to 2012, he assumed the title of Executive Vice President in charge of Wholesale Banking Group at DenizBank A.Ş. Derya Mr. Kumru continues his duty as Member of The Board of Directors at DenizBank A.Ş. since December 2012.

Senior Management

The current members of the Issuer's senior management and their areas of responsibility are as follows:

Name	Responsibility
Hakan Ateş	Board Member, CEO
Derya Kumru	Board Member, Wholesale Banking
Ali Murat Dizdar	EVP, Chief Legal Advisor
Ayşenur Hıçkıran	EVP, Payment Systems & Non-Branch Channels
Bora Böcügöz	EVP, Treasury & FI Group
Dilek Duman	COO and EVP, IT and Support Operations Group
Tanju Kaya	EVP, Administrative Services and Investment Group
Ruslan Abil	CFO and EVP, Financial Affairs Group
Hayri Cansever	Secretary General and EVP, Secretary General and Foreign Subsidiaries Group
Burak Koçak	EVP, Agricultural Banking Group
Mehmet Aydoğdu	EVP, Corporate and Commercial Banking Group
Murat Kulaksız	EVP, SME Banking and Public Finance Group
Mustafa Özel	EVP, Branch and Central Operations Group
Oğuzhan Özark	EVP, Retail Banking Group
Umut Özdoğan	EVP, Digital Transformation, CRM and Change Management Group

Set forth below is brief biographical information regarding the Issuer's current senior management (other than those who are members of the Board, whose biographical information is set out above):

Ali Murat Dizdar, Chief Legal Advisor

Born in 1960, Mr. Dizdar graduated from Istanbul University Faculty of Law in 1982 and completed his postgraduate studies on Private Law in 1985. In 1982, Mr. Dizdar began his career as a research assistant at Istanbul University Faculty of Law and held the positions of Legal Advisor in Altheimer & Gray between 1990- 1998 and Legal Department Manager at Birleşik Türk Körfez Bank between 1998-2001. Then he served as Legal Consultancy Unit Manager in Osmanlı Bank in 2001 and Legal Advisor and Risk Management Committee Chairman at Taib Yatırımbank in 2002. He worked as Legal Corporate Department Head in DenizBank A.Ş. between 2002- 2003 and as Senior Vice President of the Legal Group between 2003- 2010. He works as the Chief Legal Advisor in DenizBank A.Ş. since 2010.

Ayşenur Hıçkıran, Payment Systems and Non-Branch Channels Group EVP

Born in 1969, Ms. Hıçkıran graduated from Ege University, Faculty of Letters, Department of English Language & Literature in 1992. Beginning her career as Sales Manager in Citibank in 1996, Ms. Hıçkıran held several positions in Citibank as Regional Manager of Bursa, Regional Manager of Aegean Region, Regional Manager of Marmara, Head of Sales Channels Group in Turkey, Head of Consumer Loans and Sales Channel Group, Executive Vice President in charge of Payment Systems, Consumer Loans, Sales and Alternative Distribution Channels and Executive Vice President in charge of Retail Banking, respectively between 1996 - 2013. She has been working in DenizBank A.Ş. as Executive Vice President in charge of Payment Systems and Non-Branch Channels Group since July, 2013.

Bora Böcügöz, Treasury and FI Group Executive Vice President

Born in 1967, Mr. Böcügöz graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1989. He started his career as Junior Associate at Garanti Bank in 1989. After working as Capital Markets Deputy Department Head at Esbank between 1990-1994 and as Securities Deputy Department Head at Bank Ekspres in 1994, he served as Securities Department Head at Toprakbank until 1997. He worked as Treasury Coordinator and Executive Vice President in charge of Funds, Resource Management and Marketing at Kentbank between 1997- 2002. He worked as Executive Vice President in charge of Fund Management in DenizBank A.Ş. between 2002- 2007 and continues his duty as Executive Vice President in charge of Treasury and Financial Institutions Group in DenizBank A.Ş. since 2007.

Dilek Duman, Information Technologies and Support Operations EVP

Born in 1967, Ms. Duman graduated from Boğaziçi University, Department of Computer Engineering in 1990. Starting her career as Analyst Software Developer in Promaks A.Ş. in 1989, she worked as R&D Expert in Akal Tekstil in 1993. Between 1993- 1997, she served as Technical Advisor in Intertech, subsidiary of Denizbank. She worked as Senior Vice President in charge of Information Technologies in Denizbank A.Ş. between 1998- 2003 and as Intertech General Manager between 2004- 2007. She continued her duty as Executive Vice President in charge of Information Technologies in DenizBank A.Ş. between 2008- 2009. She is the Executive Vice President in charge of Information Technologies and Support Operations Group in Denizbank A.Ş. since 2009.

Tanju Kaya, Administrative Services and Investment Group EVP

Born in 1964, Mr. Kaya graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1985. Starting his banking career in Pamukbank in 1986, he held several positions in TEB, Marmara Bank and Alternatif Bank. He worked as Branch Manager at Bank Ekspres between 1994 and 1997. He joined DenizBank A.Ş. in 1997 as Ankara Branch Manager. From 2002 to 2003 Tanju Kaya worked as Central Anatolia Regional Manager and from 2003 to 2016 as Executive Vice President in charge of Administrative Services Group at DenizBank A.Ş. Since June 2016, he has fulfilled the function of Executive Vice President in charge of Administrative Services and Investment Group at DenizBank A.Ş.

Ruslan Abil, Financial Affairs Group, Executive Vice President

Born in 1975, Mr. Abil graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of International Relations in 1996. Mr. Abil started his career in 1997 as Auditor in Başaran Nas Yeminli Mali Müşavirlik A.Ş, and worked at Price Waterhouse Coopers USA as Director between 2010- 2012. He served as Director in charge of Technical Projects and Group Reporting at Union Bank of California between 2012- 2013. He joined DenizBank A.Ş. in 2013 as Financial Affairs Senior Vice President. He served as Executive Vice President in charge of Group Reporting and ALM Group in Denizbank A.Ş. from February 2014 to April 2017. Abil was appointed in April 2017 as Executive Vice President in charge of Financial Affairs Group.

Hayri Cansever, Secretary General and Foreign Subsidiaries Group Executive Vice President

Born in 1974, Mr. Cansever graduated from Istanbul Technical University Mechanical Engineering in 1998. He completed his MBA at Yeditepe University in Banking and Finance in 2003. Starting his banking career with the Management Trainee Programme at DenizBank in 1998, Mr. Cansever worked as Junior Officer in Zorlu Holding Finance Department between 1998-1999, and as Account Officer, Senior Account Officer and Deputy Branch Manager in Corporate Banking Department of Karaköy Branch between 1999-2004. He carried out his duty as Head of Corporate Banking Department between 2004- 2007 and Executive Vice President of Corporate Banking Department in DenizBank Moscow between 2007- 2008. He was appointed as Branch Manager of Bayrampaşa Commercial Branch between 2008- 2010 and then Senior Vice President of Corporate Banking between 2010-2011 in DenizBank A.S. Mr. Cansever worked as President and CEO in Denizbank Moscow between 2011-2012 and was then appointed and worked as Executive Vice President of Corporate Banking and Cash Management in Denizbank A.Ş. between 2013- 2015. Between 2015-2016 he worked as General Manager and Board Member of Destek Asset Management Company, a subsidiary of DenizBank Financial Services Group A.Ş. He was nominated as Secretary General and Sberbank Coordination Group Executive Vice President at DenizBank AS of January, 2017. Lastly, as of July 2019 he acts as Secretary General and Foreign Subsidiaries Group Executive Vice President.

Burak Koçak, Agricultural Banking Group Executive Vice President

Born in 1970, Mr. Koçak graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Econometrics in 1993. Mr. Koçak started his career in 1996 at ToprakBank as Junior Associate in Commercial Banking and worked at Branch, Commercial and Corporate Banking sales positions at Bank Ekspres, TEB, Körfezbank and Garanti Bank, respectively. He then worked at Akbank as Head Office SME Marketing and Branch Manager. He held the positions of Branch Performance Management Senior Vice President in DenizBank A.Ş. between 2006– 2009, Istanbul Anatolia-2 Regional Manager between 2009-2014 and SME Banking Group Executive Vice President between 2014-2016. He

was appointed as Executive Vice President in charge of Agricultural Banking of DenizBank A.Ş in February 2016.

Mehmet Aydoğdu, Corporate and Commercial Banking Group Executive Vice President

Born in 1968, Mr. Aydoğdu graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Economics in 1993. Beginning his career as Associate in Ceylan Holding Fund Management/Finance Department in 1995, Mr. Aydoğdu worked as Associate in Bank Kapital Central Branch between 1996- 1998, as Corporate Products Marketing Senior Associate in Demirbank A.Ş. Kartal Branch in 1998 and as Corporate Marketing Vice President in Bayındırbank between 1998- 2002. Between 2002- 2003, he served as Vice President in Europe- 3 Regional Marketing Department in DenizBank A.Ş., as Beşyüzevler Branch Manager between 2003- 2005 and as Çağlayan Branch Manager in 2005, and as Maslak Commercial Center Branch Manager between 2005- 2009. He worked as Commercial Banking Senior Vice President between 2009- 2010, and as Executive Vice President in charge of Commercial Banking and Public Finance between 2011- 2015. He continues his duty as Executive Vice President in charge of Corporate Banking, Commercial Banking and Public Finance since 2015.

Murat Kulaksız, SME Banking and Public Finance Group Executive Vice President

Born in 1972, Mr. Kulaksız graduated from Çukurova University, Faculty of Economics and Administrative Sciences, department of Business Administration in 1996. He started his career in 1996 at H. Toprak Holding A.Ş. in Import Department and continued to work as an Auditor in ToprakBank A.Ş. and BayındırBank A.Ş respectively. Murat Kulaksız worked as Customer Representative at Çağlayan Branch of DenizBank A.Ş between 2003-2004, as Corporate Marketing Vice President of Ayazağa Branch of DenizBank A.Ş in 2004, as Commercial Banking Vice President of Ayazağa Branch of DenizBank A.Ş between 2004-2005, as Commercial Banking Vice President of Çağlayan Branch of DenizBank A.Ş in 2005, as Commercial Banking Vice President of Maslak Commercial Center and Istanbul Public Finance Branch of DenizBank A.Ş. between 2005-2007, as Branch Manager of Maslak Commercial Center and Istanbul Public Finance Branch of DenizBank A.Ş. in 2007, Branch Manager of Ayazağa Branch of DenizBank A.Ş between 2007-2009, Branch Manager of Maslak Commercial Center and Istanbul Public Finance Branch of DenizBank A.Ş. between 2009-2011, Corporate Banking Branch Manager of Maslak Commercial Center and Istanbul Public Finance Branch of DenizBank A.Ş. between 2011-2012, Regional Manager of Europe-2 Regional Office of DenizBank A.Ş. between 2012-2016. He was appointed as Executive Vice President in charge of SME Banking Group of DenizBank A.Ş in February 2016.

Mustafa Özel, Branch and Central Operations Group, Executive Vice President

Born in 1966, Mr. Özel graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Public Administration in 1988. Beginning his career in Turkbank Galata Branch, Credits Service in 1988, Mr. Özel worked as Central Operation Associate in Interbank between 1993- 1997 and Vice President in Internal Control Department of Dışbank in 1997. Between 1997- 1998, he served as Vice President in Internal Control Unit in Denizbank A.Ş., and as Internal Control Senior Vice President in Denizbank A.Ş. in 1998, Auditor in Internal Audit Department between 1999-2001, Head of Internal Control Unit between 2002- 2007. In 2007, he held the position of Internal Control and Compliance Senior Vice President, Head of Internal Control and Compliance Unit between 2008- 2010, and Executive Vice President in charge of Central Operations and International Subsidiaries in 2010. He works as Executive Vice President in charge of Branch and Central Operations in Denizbank A.Ş. since 2010.

Oğuzhan Özark, Retail Banking Group, Executive Vice President

Born in 1976, Mr. Özark graduated from Istanbul Technical University, Department of Mathematical Engineering in 1997. He started his banking career in 1997 at Garanti Bank Retail Banking Department as Junior Associate and then worked at SME Banking Group. Joining DenizBank A.Ş. in 2004 as SME Banking Business Development Department Head, Mr. Özark worked as Capital Markets Instruments Sales, Performance and Business Development Department Head, SME Banking Marketing Small Scale Enterprises Senior Vice President, SME Banking Marketing Senior Vice President, Retail Banking Sales Management Senior Vice President, Mass Banking Sales Management Senior Vice President respectively. He works as Executive Vice President in charge of Retail Banking Sales Group in Denizbank A.Ş. since February 2014.

Umut Özdoğan, Digital Transformation, CRM and Change Management Group, Executive Vice President

Born in 1976, Mr. Özdoğan studied in İstanbul High School before obtaining a Bachelor of Arts degree in Business Administration in English from Marmara University and MBA degree from Yeditepe University. Starting his career in 1999 at Denizbank family as Junior Associate, Özdoğan worked as Financial Analysis and Intelligence Associate, Credit and Marketing Associate, Specialized Credits and Pricing Senior Associate. Moving to DenizBank AG in 2003, Özdoğan worked as DenizBank AG Private Banking Department Head from 2003 to 2004, and DenizBank AG Marketing Department Head from 2004 to 2006. As from 2007 he worked as Public Finance Department Head and from 2011 to 2015 as Commercial Banking Sales and Public Finance Senior Vice President. Assuming the function of Istanbul Corporate Branch Manager in 2015, Özdoğan was appointed in April 2017 as Executive Vice President in charge of Cash Management, Public Finance and Organisation Group. He has continued to serve his duty as Digital Transformation and Process Management Group Executive Vice President since February, 2018. Umut Özdoğan is married with two children. He speaks English and German fluently.

Board Committees

The Bank has a number of committees comprising various members of the Board. These committees include an Audit and Risk Committee, a Corporate Governance and Nomination Committee, a Credit Committee and a Remuneration Committee. The Audit and Risk Committee is responsible for taking necessary measures in order to ensure that accounting systems and financial information of the Issuer are audited and disclosed efficiently and for supervising functioning and effectiveness of internal control system. The Corporate Governance and Nomination Committee is responsible for monitoring the Issuer's alignment with the BRSA's Corporate Governance Principles. The Credit Committee assesses commercial, corporate and SME credit proposals. The Remuneration Committee is responsible for assessing remuneration policies and practices within the framework of risk management and for submitting to the Board of Directors, their recommendations on these each year within reports.

Corporate Governance

Until recently, there were no mandatory corporate governance rules in Turkey. In 2003, the CMB issued a set of recommended principles for public companies, which applied to public companies on a "comply or explain" basis. In 2004, the Board decided to adopt these principles. On 30 December 2011, the *Communiqué on the Determination and Implementation of Corporate Governance Principles* Series: IV, No: 56 (the **Annulled Corporate Governance Communiqué**) was published and came into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, including the Bank. The Annulled Corporate Governance Communiqué became applicable to the Issuer on 30 December 2012, as the regulation provided a one-year exemption for listed banks. Following the entrance into force of the New Capital Markets Law No. 6362, by 30 December 2012, the CMB started to prepare secondary legislation in light of the new law. Accordingly, a new communiqué on corporate governance – *the Corporate Governance Communiqué Series: II No: 17.1* (the **Corporate Governance Communiqué**) was published in the Official Gazette as of 3 January 2014 which annulled the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56. The Corporate Governance Communiqué contains principles relating to: (i) the company shareholders; (ii) public disclosure and transparency; (iii) the stakeholders of the company; and (iv) the board of directors. A number of principles are compulsory while the remaining principles continue to apply on a "comply or explain" basis as before. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. The CMB has classified 41 companies for the year 2019 as "Tier 1" companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to "Tier 2" and/or "Tier 3" companies. The Bank was classified as a "Tier 3" company until its delisting on December 16, 2019. According to the Disclosure Policy of the Bank, the public disclosures and all other relevant information given to stakeholders are done under the supervision of the CEO, Executive Committee Members, Financial Affairs Group in scope of accessing insider information, Administrative Services Group, Internal Control and Compliance Department and staff in Secretary General and relevant managers in all business lines.

- The corporate communication and investor relations and financial communication departments make the official public disclosures via its Public Disclosure Platform, www.denizbank.com.

- Public disclosure is managed daily so as to assure timely communication.

The mandatory principles under the Corporate Governance Communiqué include: (i) the composition of the board of directors; (ii) appointment of independent board members; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) the information rights in connection with General Assembly meetings.

All "Tier 1" and "Tier 2" companies are required to have a number of independent board members that constitute at least one-third of the board of directors. However, these companies can apply to the CMB in order to limit the number of independent board members to two, irrespective of the ratio of the company's free-float shares, as long as at least 51% of their share capital is equally owned by two independent shareholders contractually sharing equal management control but having no direct or indirect shareholding, management or audit relationship among themselves, except for banks. "Tier 3" companies do not have to comply with the one-third ratio, although they are obliged to have at least two independent directors. Pursuant to Article 6 of Corporate Governance Communiqué, banks have discretion in determining the number of independent directors, **provided that** they sustain the minimum requirement of having at least three independent directors. Board members who are appointed as an audit committee member within the bank's organisational structure shall be considered as an independent board member within the framework of the Corporate Governance Communiqué.

The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier 1" companies. Those nominated for such positions must be evaluated by the "**Nomination Committee**" of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based on this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees. "Tier 2" and "Tier 3" public companies are not required to go through the CMB pre-assessment for the appointment of independent directors, although the nominations must still be evaluated by the Nomination Committee.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all related-party transactions, transactions creating any guarantee, pledge or mortgage in favour of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. For example, material transactions, which are described as the lease, transfer or establishment of rights *in rem* over the total or a substantial part of the listed company's assets, the acquisition or lease of a material asset, must be approved by the majority of the independent board members. If the majority of the independent directors do not vote in favour of such board resolutions, the relevant transaction will be subject to the approval of the shareholders, which will convene without required meeting quorums and where the related parties to those transactions will not be able to vote. The foregoing framework also applies to all related-party transactions as well as transactions creating any guarantee, pledge or mortgage in favour of third parties.

In 2007, the CMB had issued a rating communiqué enabling rating agencies to rate companies on the basis of their compliance with the applicable principles.

The Bank's shares were delisted from BIST as of December 16, 2019. Therefore, the Issuer has been out of the scope of CMB's legislation for publicly traded companies and not taken placed in CMB's Group List as of 2020.

Compensation

The Bank's compensation policy aims to remunerate fairly and in a manner that is consistent with the nature of work and structure of the general market or the sector, in order to enhance talent and key staff attraction/retention capability and people motivation. The compensation package is composed of base pay and variable pay. The variable pay is linked to the realisation of the Issuer's strategic targets.

In general, base pay depends upon the position and the work completed whilst variable pay depends on performance. Thus, the compensation system allows the bank to reward employees according to their level of contribution and responsibility in order to reach the goals of the institution.

Salaries and other benefits paid to the Group's senior management amounted to TL 95,979 thousand as of 31 December 2019, TL 111,769 thousand as of 31 December 2018 and TL 83,415 thousand as of 31 December 2017.

Conflicts

None of the members of the Issuer's Board or Senior Management has any existing or potential conflicts of interest with respect to his duties to the Issuer and his private interests or other duties.

RELATED PARTY TRANSACTIONS

Related parties include entities that are directors, shareholders or affiliates of, or entities under common management or control with, the Issuer. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Emirates NBD Bank PJSC, owning 100.00% of the ordinary shares of the Issuer, and as a result is considered a related party of the Group.

All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's length basis and the credit and payment terms in respect of such credits are no more favourable than those offered to third parties.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of 31 December 2019, the Issuer's total net exposure to its risk group totalled TL 877,987 thousand, an amount corresponding to 3.62% of its own funds; the Issuer is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following tables show the loans of the Group's risk group as of the dates indicated:

	As of 31 December 2019					
	Associates, subsidiaries and joint ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
Group's risk group(*)	**Cash**	**Non cash**	**Cash**	**Non cash**	**Cash**	**Non cash**
			(TL, thousands)			
Loans						
Balance at the beginning of the period	13.631	30.404	11.790	1.677	34	–
Balance at the end of the period.....	11	31.543	119.015	4.963	329.133	–
Interest and commission income received	**225**	**186**	**699**	**–**	**18**	**–**

(*) As described in the Article 49 of Banking Law no.5411.

	As of 31 December 2018					
	Associates, subsidiaries and joint ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
Group's risk group(*)	**Cash**	**Non cash**	**Cash**	**Non cash**	**Cash**	**Non cash**
			(TL, thousands)			
Loans						
Balance at the beginning of the period	13.587	130.539	9.439	4.655	19.046	–
Balance at the end of the period.....	13.631	30.404	11.790	1.677	34	–
Interest and commission income received	**672**	**155**	**683**	**3**	**8**	**–**

(*) As described in the Article 49 of Banking Law no.5411.

	As of 31 December 2017					
	Associates, subsidiaries and joint ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
Group's risk group(*)	**Cash**	**Non cash**	**Cash**	**Non cash**	**Cash**	**Non cash**
			(TL, thousands)			
Loans						
Balance at the beginning of the period	14.146	128.405	5.448	7.721	56	4
Balance at the end of the period.....	13.587	130.539	9.439	4.655	19,046	–
Interest and commission income received	**559**	**28**	**484**	**5**	**2.561**	**–**

(*) It is described in the Article 49 of Banking Law no.5411.

The following table shows the deposits of the Group's risk group for the periods indicated:

Group's risk group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder (**)		Other Real Persons and Legal Entities in Risk Group	
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2018
			(TL, thousands)			
Beginning of the period	137.535	60.929	11.965.213	8.811.959	16.720	18.991
End of the period	155.491	137.535	8.130.445	11.965.213	35.172	16.720
Interest expense on deposits	**14.524**	**12.122**	**586.580**	**500.920**	**1.983**	**2.223**

(*) As described in the Article 49 of Banking Law no.5411.
(**) Includes the subordinated loans of US Dollar 1.050 million and Euro 115 million received from ENBD.

The following table shows the deposits of the Group's risk group for the periods indicated:

Group's risk group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder (**)		Other Real Persons and Legal Entities in Risk Group	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
			(TL, thousands)			
Beginning of the period	60.929	102.325	8.811.959	6.607.506	18.991	9.247
End of the period	137.535	60.929	11.965.213	8.811.959	16.720	18.991
Interest expense on deposits	**12.122**	**8.680**	**500.920**	**410.154**	**2.223**	**594**

(*) As described in the Article 49 of Banking Law no.5411.
(**) Includes the subordinated loans of US Dollar 1.050 million and Euro 115 million received from ENBD.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2018
			(TL, thousands)			
Transactions at fair value through profit or loss						
Beginning of the period	–	–	–	51.000	–	–
End of the period	–	–	594.000	–	–	–
Total profit/loss	**–**	**–**	**(4.214)**	**(5.033)**	**–**	**–**
Transactions for hedging purposes						
Beginning of the period	–	–	–	–	–	–
End of the period	–	–	–	–	–	–
Total profit/loss	**–**	**–**	**–**	**–**	**–**	**–**

(*) As described in the Article 49 of Banking Law no.5411.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
			(TL, thousands)			
Transactions at fair value through profit or loss						
Beginning of the period	–	–	51.000	–	–	–
End of the period	–	–	–	51.000	–	–
Total profit/loss	**–**	**–**	**(5.033)**	**8.264**	**–**	**–**
Transactions for hedging purposes						
Beginning of the period	–	–	–	–	–	–
End of the period	–	–	–	–	–	–
Total profit/loss	**–**	**–**	**–**	**–**	**–**	**–**

(*) As described in the Article 49 of Banking Law no.5411.

RISK MANAGEMENT

Internal Audit Department

The Issuer's Internal Audit Department reports to the Issuer's Audit Committee and conducts its audit operations largely based on the results of risk assessments. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems and also makes risk assessments of the operations of the Issuer and its subsidiaries. The Internal Audit Department monitors the Issuer's compliance with legal requirements, the Issuer's articles of association, in-house regulations and banking principles. In 2019, the Internal Audit Department audited 360 of the Issuer's 710 branches, yielding a network coverage ratio of 51% and a credit risk coverage ratio of 68% of the Issuer's branches. The Issuer audits all commercial centres and corporate branches every year and audits each branch at least once in every three years according to a respective branch's perceived riskiness. The Internal Audit Department presents its findings from its audits to the Issuer's Control Functions Committee and Audit Committee each quarter and periodically to the Board of Directors as well.

As of 31 December 2019, the Internal Audit Department had 107 employees.

Risk Management Group

The Issuer's Risk Management Group reports to the Issuer's Audit Committee, the Assets and Liabilities Committee, the Credit Committee, the Risk Committee and to the Board of Directors.

The Risk Management Group is responsible for establishing necessary policies and procedures to identify, measure, analyse and monitor existing and potential risks. Risk policies set out the Issuer's overall risk strategy, which is established in accordance with the Issuer's overall business strategy and risk tolerance, and is approved by the Board of Directors. Risk management policies consist of risk identification, measurement and management processes. The Issuer conducts its banking activities by strictly adhering to risk management policies that aim to analyse risks and manage them within acceptable limits. The Issuer's risk limits are consolidated within the Issuer's Risk Appetite Statement (the **RAS**), which is also approved by the Board of Directors. The Issuer has developed systems that comply with the Basel Banking Supervision Committee regulations and other international risk management principles. The Risk Management Group also applies stress tests on a regular basis to assess the durability of the Issuer's capital position. Additionally, the Risk Management Group has responsibility for monitoring and applying the relevant guidelines set by the Basel Committee, the BRSA and the CBRT, as well as any decisions of the competent authorities supervising Group entities.

As of 31 December 2019, the Risk Management Group had 21 employees.

Market Risk Management

The Issuer is exposed to various types of market risk, including interest rate, liquidity and foreign exchange risks due to its trading book. The Issuer's risk management policies provide for guidelines with respect to managing market risk and the Issuer's limit structure and define roles and responsibilities for the various teams involved. The Issuer measures market risk according to its "Standard Model" (also known as the "regulatory model") and its "Internal Model".

Standard Model

The Issuer relies on the standard approach defined in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA for the Group's regulatory total capital calculations. The capital requirement for market risk is calculated and reported by the Risk Management Group on a monthly basis for the Issuer and a quarterly basis for the Group. For regulatory reporting purposes, the currency risk of the banking book is also calculated in addition to the market risk of the trading portfolio under the standard approach in accordance with the banking regulations. The three main components of market risk are interest rate risk, equity risk and foreign exchange risk. The standard approach is also designed to measure risk associated with specific securities.

The table below represents the Group's market risk for 31 December 2019, 2018 and 2017, according to the BRSA regulation:

Market risk (TL thousands)	*Total market risk*	*Interest rate risk*	*Foreign exchange rate risk*	*Commodity risk*	*Equity risk*
31 December 2019	1,327,588	121,588	1,013,201	192,799	0
31 December 2018	1,137,450	121,563	905,375	110,512	0
31 December 2017	772,600	37,213	657,075	78,112	200

Internal Model

The internal model calculates market risk on the basis of value at risk (**VaR**) methodology. VaR is used to determine potential loss on the basis of statistically expected changes in market parameters for a particular asset or portfolio for a given holding period at a specified level of probability. For internal monitoring purposes, market risk is attributed to financial instruments and positions held for trading.

VaR analysis is performed on a risk factor basis in order to assess the risk associated with type of risk and is assessed together with the return of the portfolio in order to serve as a basis for risk and return analyses. The Issuer uses a comprehensive system of limits to maintain acceptable levels of market risks and sets risk-based limits for various risk metrics. Within the framework of these risk-based limits, nominal, interest rate sensitivity and stop-loss limits as well as limits on sensitivities of the price of options to changes in the underlying parameters on which they are dependent are used together with the VaR limits defined for risk types of products. Limits on nominal and sensitivity limits are defined and used in order to express risk limits in terms of more practical measures related to current market conditions. VaR and available limits are reported on a daily basis to the persons responsible in order that they can assess the possible expected loss and prevent limits being exceeded.

VaR calculations are based on a 99% and 95% confidence level and one-day holding period. VaR models are used to assess market risk under normal market conditions and with a certain level of probability. The Issuer also relies upon stress analyses to measure and manage market risk. Due to the higher volatility levels in developing markets such as Turkey, volatility and correlations are calculated using an exponentially weighted moving average which reflects the information provided by the latest market movements and prevents risks being underestimated under severe crisis conditions. Model testing is conducted on each business day based on a 99% confidence level to assess risks and primarily consists of retrospective testing of the figures in the profit and loss account against the figures produced by the model for any variation between the two or deterioration of actual as compared to modelled outcomes. Retrospective testing results imply that during the last three years variations did not exceed the number of exceptions considered to be typical based on relevant regulations.

VaR methodology may not provide satisfactory results under severe crisis conditions. In order to calculate the Issuer's economic capital under extreme market conditions and to limit the maximum risk carried by the Group, the Issuer's management relies upon historical stress testing analyses, although there is no assurance that either VaR methodology or stress testing will be adequate to account for all risks and contingencies in extreme or unusual market conditions.

Daily theoretical profit and loss values are calculated, indicating the potential loss if a position is held as-is. The table below presents the maximum theoretical loss during the years ended 31 December 2019, 2018 and 2017:

	Maximum Daily Theoretical Loss
	(TL thousands)
Year ended 2019	1,123
Year ended 2018	12,565
Year ended 2017	2,067

Interest Rate Risk

The Issuer is exposed to interest rate risk through market fluctuations of balance sheet items, for example price risk, as well as the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, interest rates have been and may continue to be volatile. Based on the Issuer's assets and liabilities as of 31 December 2019, a 1% increase in interest rates would have resulted in a decrease of the Issuer's profit for the 2019 financial year of TL 288 million, where all the other variables are assumed to be constant. Therefore, interest rate risk continues to be a key component of the Issuer's asset and liability management. The Bank's Risk Management Group monitors the structural interest rate risk that the Group is exposed to due to its balance sheet structure by using advanced models, and the Issuer seeks to maintain risks within the limits defined in RAS. Interest sensitivity analyses are conducted on a regular basis to measure the impact of the Group's maturity mismatch on interest income and the net economic value of assets and liabilities.

The tables below set out the Group's exposure to interest rate risk as of 31 December 2019, 2018 and 2017 in TL thousands. The tables below include the Group's assets and liabilities in terms of time remaining for repricing.

	As of 31 December 2019						
	Up to 1 Month	**1 – 3 Month**	**3 – 12 Month**	**1 – 5 Year**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets							
Cash Equivalents and Central Bank	46,058	--	--	--	--	35,625,795	**35,671,853**
Banks[1]	3,183,418	712,787	978,151	--	--	1,826,114	**6,700,470**
Financial Assets at Fair Value through Profit or Loss (Net)	46,814	14,832	475,779	57,145	136,540	1,437,909	**2,169,019**
Due from Money Markets	1,261,789	--	--	--	--	--	**1,261,789**
Financial Assets at Fair Value through Other Comprehensive Income	634,298	2,507,112	2,238,267	6,328,363	2,388,133	78,397	**14,174,570**
Loans	38,462,319	11,640,957	26,094,592	45,387,812	15,582,595	5,617,331	**142,785,606**
Financial Assets Measured at Amortised Cost[2]	2,582,011	494,018	503,134	1,724,146	1,468,891	--	**6,772,200**
Other Assets[3]	68	29,290	30	503,632	--	7,245,546	**7,778,566**
Total Assets	**46,216,775**	**15,398,996**	**30,289,953**	**54,001,098**	**19,576,159**	**51,831,092**	**217,314,073**
Liabilities							
Bank Deposits	696,179	1,812,433	690,190	4,078	--	547,701	**3,750,581**
Other Deposits	68,161,278	14,727,896	17,561,879	17,171,246	999,617	35,836,687	**154,458,603**
Due to Money Markets	459,048	--	--	--	--	--	**459,048**
Miscellaneous Payables	--	--	--	--	--	--	**--**
Securities Issued	2,721,949	1,213,528	--	279,296	--	--	**4,214,773**
Funds Borrowed	3,024,417	5,073,284	6,231,232	7,892,899	2,849	--	**22,224,681**
Other Liabilities[4]	45,310	297,564	4,318,164	848,160	160,462	26,536,727	**32,206,387**
Total Liabilities	**75,108,181**	**23,124,705**	**28,801,465**	**26,195,679**	**1,162,928**	**62,921,115**	**217,314,073**
Balance Sheet Long Position	--	--	1,488,488	27,805,419	18,413,231	--	**47,707,138**
Balance Sheet Short Position	(28,891,406)	(7,725,709)	--	--	--	(11,090,023)	**(47,707,138)**
Off-balance Sheet Long Position	2,076,690	216,265	--	625,179	--	--	**2,918,134**
Off-balance Sheet Short Position	--	--	(1,317,470)	--	(416,963)	--	**(1,734,433)**
Total Position	**(26,814,716)**	**(7,509,444)**	**171,018**	**28,430,598**	**17,996,268**	**(11,090,023)**	**1,183,701**

(1) Includes stage 1 and stage 2 provisions for expected loss amounting of TL (4,912).
(2) Includes stage 1 and stage 2 provisions for expected loss amounting of TL (854).

(3) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, tax assets, investments in subsidiaries, assets to be disposed, the provisions for expected loss of other assets and other assets with balances of TL 1,652,166, TL 339,978, TL 218,680, TL 16,396, TL 1,363,997, TL 745,808, TL 486,980, TL (3,155) and TL 2,424,696, respectively.

(4) Other liabilities/non-interest bearings include; shareholders' equity, current tax liabilities, deferred tax liabilities, provisions, other liabilities and TFRS 16 net lease liabilities amounting to TL 17,748,912, TL 335,068, TL 82,099, TL 1,857,726, TL 5,894,320 and TL 618,602, respectively.

	As of 31 December 2018						
	Up to 1 Month	**1-3 Month**	**3-12 Month**	**1-5 Year**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets							
Cash Equivalents and Central Bank	4,233,671	--	--	--	--	23,890,538	**28,124,209**
Banks[1]	983,336	96,199	527,740	186,845	33,955	4,793,276	**6,621,351**
Financial Assets at Fair Value through Profit or Loss (Net)	119,853	298,373	394,415	885,344	388,474	97,336	**2,183,795**
Due from Money Markets	9,780	--	--	--	--	--	**9,780**
Financial Assets at Fair Value through Other Comprehensive Income	386,432	1,164,414	3,064,311	2,450,417	847,937	978	**7,914,489**
Loans	17,557,607	7,775,527	19,591,598	52,771,747	38,791,593	2,568,533	**139,056,605**
Financial Assets Measured at Amortised Cost[2]	2,323,225	429,124	459,381	1,371,287	1,655,675		**6,238,692**
Other Assets[3]		96				7,162,419	**7,162,515**
Total Assets	**25,613,904**	**9,763,733**	**24,037,445**	**57,665,640**	**41,717,634**	**38,513,080**	**197,311,436**
Liabilities							
Bank Deposits	1,659,705	80,899	337,395	428,113		171,775	**2,677,887**
Other Deposits	52,954,581	17,912,576	17,089,241	18,115,713	1,003,194	30,188,284	**137,263,589**
Due to Money Markets	1,415,797	--	--	--	--	--	**1,415,797**
Miscellaneous Payables	--	--	--	--	--	--	--
Securities Issued	1,202,731	2,382,535	402,593			--	**3,987,859**
Funds Borrowed	7,650,209	12,047,615	2,418,843	459,638	60,305	--	**22,636,610**
Other Liabilities[4]	259,771	531,103	922,026	116,850	222,891	27,277,053	**29,329,694**
Total Liabilities	**65,142,794**	**32,954,728**	**21,170,098**	**19,120,314**	**1,286,390**	**57,637,112**	**197,311,436**
Balance Sheet Long Position	--	--	2,867,347	38,545,326	40,431,244		**81,843,917**
Balance Sheet Short Position	(39,528,890)	(23,190,995)	--	--	--	(19,124,032)	**(81,843,917)**
Off-balance Sheet Long Position	2,032,518	--	799,309	--	--	--	**2,831,827**
Off-balance Sheet Short Position	--	(1,217,285)	--	(1,709,835)	(457,257)	--	**(3,384,377)**
Total Position	**(37,496,372)**	**(24,408,280)**	**3,666,656**	**36,835,491**	**39,973,987**	**(19,124,032)**	**(552,550)**

(1) Includes stage 1 and stage 2 provisions for expected loss amounting of TL (4,417).

(2) Includes stage 1 and stage 2 provisions for expected loss amounting of TL (1,118).

(3) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, deferred tax assets, investments in subsidiaries, assets to be disposed, the provisions for expected loss of financial assets and other assets and other assets with balances of TL 881,784, TL 271,191, TL 202,001, TL 13,633, TL 1,213,623, TL 792,868, TL 269,830, (9,986) and TL 3,527,476, respectively.

(4) Other liabilities/non-interest bearings include; shareholders' equity, tax liabilities, deferred tax liabilities, provisions and other liabilities with balances of TL 15,505,270, TL 362,949, TL 25,828, TL 945,168 and TL 10,437,838, respectively.

	As of 31 December 2017						
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets							
Cash and Balances with the Central Bank of the Republic of	4,572,371	--	--	--	--	12,396,441	16,968,812

	As of 31 December 2017						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Turkey							
Due from Banks and Other Fin. Inst.	1,887,910	484,599	199,314	--	--	8,085,805	10,657,628
Financial Assets at Fair Value Through Profit or Loss	167,337	118,981	383,807	209,660	176,733	1,245	1,057,763
Interbank Money Market Placements	785,672	--	--	--	--	--	785,672
Investment Securities Av.-for-Sale	299,270	689,903	2,004,235	2,421,950	1,567,537	63,138	7,046,033
Loans	18,421,600	10,989,095	19,665,866	42,427,944	17,980,710	896,091	110,381,306
Investment Securities Held-to-Mat.	1,855,077	455,846	638,299	910,721	1,475,696	--	5,335,639
Other Assets (*)	774,512	367,881	475,626	1,642,184	1,187,985	3,742,089	8,190,277
Total Assets	**28,763,749**	**13,106,305**	**23,367,147**	**47,612,459**	**22,388,661**	**25,184,809**	**160,423,130**
Liabilities							
Bank Deposits	2,508,919	48,222	917,119	322,762	--	184,537	3,981,559
Other Deposits	45,740,406	12,807,163	13,344,675	11,880,997	765,612	22,890,052	107,428,905
Interbank Money Market Placements	4,007,166	--	--	--	--	--	4,007,166
Miscellaneous Payables	--	--	1,231	--	--	1,948,176	1,949,407
Marketable Securities Issued	529,353	2,097,591	1,045,814	--	--	--	3,672,758
Funds Borrowed from Other Fin. Inst.	4,227,682	5,394,969	5,237,482	518,292	4,563,340	--	19,941,765
Other Liabilities (**)	338,733	101,451	166,547	497,786	187,721	18,149,332	19,441,570
Total Liabilities	**57,352,259**	**20,449,396**	**20,712,868**	**13,219,837**	**5,516,673**	**43,172,097**	**160,423,130**
On Balance Sheet Long Position	--	--	2,654,279	34,392,622	16,871,988	--	53,918,889
On Balance Sheet Short Position	(28,588,510)	(7,343,091)	--	--	--	(17,987,288)	(53,918,889)
Off-Balance Sheet Long Position	4,873,004	2,678,134	6,258,237	3,176,076	3,664,803	--	20,650,254
Off-Balance Sheet Short Position	(2,904,585)	(5,622,927)	(3,350,892)	(4,217,443)	(4,649,295)	--	(20,745,142)
Total Position	**(26,620,091)**	**(10,287,884)**	**5,561,624**	**33,351,255**	**15,887,496**	**(17,987,288)**	**(94,888)**

(*) Other assets/non-interest bearings include; tangible assets, intangible assets, investment properties, investments in associates and joint ventures, tax assets, investments in subsidiaries, assets to be sold and other assets with balances of TL 749,514, TL 188,751, TL 171,467, TL 13,633, TL 223,175, TL 41,701, TL 132,302 and TL 2,221,546 respectively.

(**) Other liabilities/non-interest bearings include; shareholders' equity, tax liabilities, provisions, and other liabilities with balances of TL 12,853,407, TL 347,734, TL 2,227,812 and TL 2,720,379 respectively.

Foreign Exchange Risk

The Issuer is subject to foreign exchange rate risk due to adverse movements in currency exchange rates in the currencies in which its assets and liabilities are denominated. The Bank's foreign currency position arises primarily through the mismatch of foreign currency denominated assets and liabilities, together with its purchases and sales of foreign exchange (primarily US dollars) on the spot market. The limit with respect to the size of the Issuer's foreign currency position is set within the RAS and is closely monitored by the Group's Risk Management Group. As a matter of policy, the Issuer does not hold a structural foreign currency position in general and limits its remaining position in accordance with the limits defined by RAS.

Liquidity Risk

The Bank's funding and liquidity management policy seeks to ensure that, even in adverse conditions, the Issuer maintains sufficient funds available to meet its operational needs, including maturing liabilities, and to ensure compliance with BRSA regulations. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments and the risk of

being unable to liquidate a position in a timely manner at a reasonable price. The risk may arise from difficulties in the funding of financing, trading and investment activities, mainly as a result of the mismatches between payment obligations, including unexpected withdrawals, and incoming payments.

The Issuer is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees as well as the Issuer's own maturity exposures. The Issuer maintains cash and cash equivalent reserves that are expected to meet all of these needs.

According to the BRSA Communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. The risk management department performs the calculation of the above-mentioned ratios on a daily basis and shares the results with the Treasury department for the management of available liquidity. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Liquidity Reserve Requirement*". Liquidity risk is managed in accordance with the internal limits defined in RAS as well as the regulatory requirements. The Issuer also performs monthly stress tests to determine the survival period under stressed conditions.

A significant portion of the Group's funding base consists of deposits and funds borrowed. As of 31 December 2019, deposits comprised 84.7% of the Issuer's total liabilities (excluding equity) and, of all deposits, 76.2% had maturities of three months or less. As of 31 December 2019, loans comprised 65.7% of the Issuer's total assets and, of all loans and receivables, 13.8% had maturities of three months or less.

The following tables set forth the Group's breakdown of financial liabilities according to their remaining contractual maturities as of 31 December 2019, 2018 and 2017 in TL thousands:

	As of 31 December 2019					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Liabilities						
Deposits	105,392,229	16,294,990	8,043,539	29,355,278	548,103	**159,634,139**
Funds borrowed(*)	1,904,491	2,430,903	8,657,750	11,238,956	10	**24,232,110**
Interbank money markets	459,048	--	--	--	--	**459,048**
Securities issued	2,033,573	1,917,110	117,671	170,024	--	**4,238,378**
Total	**109,789,341**	**20,643,003**	**16,818,960**	**40,764,258**	**548,113**	**188,563,675**

(*) It includes subordinated loans.

	As of 31 December 2018					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Liabilities						
Deposits	84,992,060	18,553,168	17,948,122	19,302,364	1,260,757	**142,056,471**
Funds borrowed(*)	2,819,225	7,896,499	6,878,981	7,638,624	3,174,585	**28,407,914**
Interbank money markets	1,415,797	--	--	--	--	**1,415,797**
Securities issued	1,103,190	1,639,007	723,220	617,389	--	**4,082,806**
Total	**90,330,272**	**28,088,674**	**25,550,323**	**27,558,377**	**4,435,342**	**175,962,988**

(*) It includes subordinated loans.

	As of 31 December 2017					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Liabilities						
Deposits	72,226,707	13,007,275	15,448,784	12,346,795	922,245	113,951,806
Funds borrowed(*)	3,441,829	4,871,957	8,365,951	2,420,258	4,841,561	23,941,556
Interbank money markets	4,008,352	--	--	--	--	4,008,352
Securities issued	531,238	1,117,633	1,389,034	681,720	34,896	3,754,521
Total	**80,208,126**	**18,996,865**	**25,203,769**	**15,448,773**	**5,798,702**	**145,656,235**

(*) It includes subordinated loans.

Credit Risk Management

The Bank's Credit Risk Group is tasked with ensuring that the Issuer maintains a liquid and sound credit portfolio. The Group uses a combination of detailed approaches to credit analysis, including applying an evaluation and an internal rating system to maintain the quality of its loan portfolio. A significant part of the portfolio is collateralised in order to minimise the impact of problem loans and the Group has a policy of obtaining collateral or personal or corporate guarantees, where appropriate. Preference is given to more liquid forms of collateral, including guarantees, ship mortgages, real estate mortgages and pledges of securities.

The Bank's credit risk management is integrated with its shareholder, Emirates NBD. For example, there are certain delegation levels set by the Issuer's Board of Directors and for amounts in excess of these levels, the Issuer consults with Emirates NBD prior to making any credit decision. In addition, there are monthly workshops to monitor and evaluate developments with existing clients and portfolios. The Issuer also provides periodic reporting to Emirates NBD in order to assist Emirates NBD in monitoring the Issuer's credit portfolio.

The Issuer uses certain applications, probability of default scores, income estimation models, segmentation and collection models and analytical decision trees in its underwriting, monitoring and collection processes. The Bank's rating models are part of its credit policy, reporting and internal capital assessment process and is used to determine risk appetite. The performance of the models is reviewed periodically in coordination with the Risk Management Department and re-calibrated where needed. The Issuer believes that by using these models it can better assess the creditworthiness of its own loan customers. The Issuer is planning to introduce loss given default and exposure at default parameters for its Corporate & Commercial, SME, and Retail subcategories as part of its ongoing work of compliance with the Basel II advanced internal ratings based approach and to better integrate the Group's internal capital assessment and risk appetite process.

For all segments, the Issuer calculates expected loss (**EL**) on a monthly basis for two years. The Bank's EL calculation is based on three parameters: (i) Probability of Default by counterparties, obtained from the internal rating model, (ii) loss given default, extracted from a net risk calculation after collateral and haircut tied to internal collateral valuation guidelines, and (iii) exposure at time of default, assuming a weighted average of standard credit conversion factors for non-cash loans and 100% of cash loan risk.

To ensure the Group's rating model is fully and correctly applied, the internal rating system is administered independently from the credit function. The credit approval process for Wholesale clients includes an override function with respect to the decision on the final rating. Any investigated rating is discussed and validated by a rating committee.

The organisation of the Issuer's credit function is managed under three main groups: Credit Policy & Retail-SME, Agricultural Banking Credits Allocation; Corporate & Commercial Credits; and Credit Follow-up & Risk Monitoring. Each of these three groups is led by an Executive Vice President who reports to the CRO.

Corporate and Commercial Credit Group

There are seven different departments within the Corporate & Commercial Credits Group: Corporate & Commercial Credits 1; Corporate & Commercial Credits 2; Corporate & Commercial Credits 3; FI Credits; Investigation; Financial Analysis and Credits Management.

Loan Approval Process

The loan approval process starts at the branches. All credit applications initially require the preparation of a credit file by the branch. At branch level, credit decisions are the joint responsibility of the customer representative and branch manager. If the preliminary intelligence and the opinion of the branch credit committee about the potential borrower is positive, a credit file with information about the customer and containing a financial spreadsheet is prepared by the relevant customer representative and sent to the Financial Analysis Department at the Issuer's head office.

At the head office, an analyst in the Financial Analysis Department reviews the file and spreadsheet, makes any necessary adjustment to the spreadsheet and forms an opinion on the financial condition of the potential borrower. The credit file, financial opinion, branch opinion and credit proposal form are then sent to the relevant credit allocation department.

Credit Allocation Department establishes credit limits using a Credit Intelligence Report prepared by the Credit Intelligence Department. The Credit Intelligence Department is responsible for collecting market information from the other Turkish banks regarding new as well as existing clients. The reputation, credibility and existing Turkish bank limits of the company in question are established through communication between the Issuer and its competitors. Credit officers in the relevant credit allocation department assess whether the credit file is compliant with the banking law and the Group's credit principles and undertakes a detailed analysis, including feasibility studies, analysis of financial standing, reputation and experience of the proposed borrower. Following the detailed analysis and subject to the opinion of the credit officers, the proposal is submitted to the Pre-validation Committee.

The Pre-validation Committee is chaired by the Board Member responsible for Corporate and Commercial Credits. Proposals approved by the Pre-validation Committee are submitted to Credit Risk Officer and the Issuer's Credit Committee/Board of Directors for final approval.

Credit packages are reviewed every year. In addition, borrowers are monitored by site visits and through the regular review of their financial statements.

Internal Rating System

The Group's Internal Rating System was developed during the period in which it was owned by Sberbank. The model is based on the Issuer's internal historical data. Bank-wide implementation of the model was completed in June 2014.

The main purpose of the Internal Rating System is to assess the creditworthiness of companies that form the credit portfolio. The rating classification of a company reflects its solvency and ability to repay its debt obligations. DenizBank is required to assign a rating for each credit customer of the Corporate and Commercial Department. Ratings are assigned for one year and reviewed yearly as long as the credit relationship continues.

Credit Allocation

The credit allocation process starts at the branches and then the proposals are sent to the Credit Allocation Department. Within Credit Allocation, there are eight allocation departments, each headed by a Senior Vice President. The Credit Allocation Department evaluates all credit requests. Credit decisions take into account a detailed analysis of the financial condition of the counterparty as well as the borrower's shareholding structure, collateral structure of the credit, credit rating, existing banking relations, characteristics of the sector in which the borrower operates, track record and general market intelligence. Credit is allocated according to the needs and financial condition of the borrower. Risk limits are determined separately for debtors, and groups of debtors are monitored on a weekly basis. Credit risks are also monitored on a separate basis for each of the Issuer's Corporate and Commercial; Agricultural; SME, Retail, and Credit Cards business lines.

The sectoral breakdown of the loan portfolio is reviewed monthly in order to achieve sectoral diversification, with a view to working with companies with a satisfactory credit rating across a broad range of sectors. Sectors are periodically monitored in accordance with changes in prevailing economic conditions, and a deterioration in the economic conditions relevant to that sector may lead to it being categorised as a sensitive sector. A more limited approach can then be applied when allocating credit to companies in that sector and/or to reducing credit limits or cancelling credit to existing customers active in sensitive sectors. The Group takes what it believes to be a conservative approach to credit assessment. In any new borrowing relationship, the approved amount credit amount is designed to be in line with the size and financial position of the counterparty. Moreover, the proposed collateral and borrowing conditions are intended to be no less favourable than those agreed by the borrower with its existing lenders. In principle, credit will not be granted to companies if they or their shareholders have an impaired current or past credit history. This information will be available from the Credit Intelligence Report, which contains bank and supplier references, payment histories, information about shareholders and details of the borrower's existing Banking relations and credit facilities with other banks.

In addition to the credit departments at Head Office, there are seven regional credit offices, three in Istanbul and four in different regions of Anatolia. There are separate credit allocation limits for branches, local credit evaluation groups and regional directorates, Executive Vice Presidents, the Group's Credit Committee and

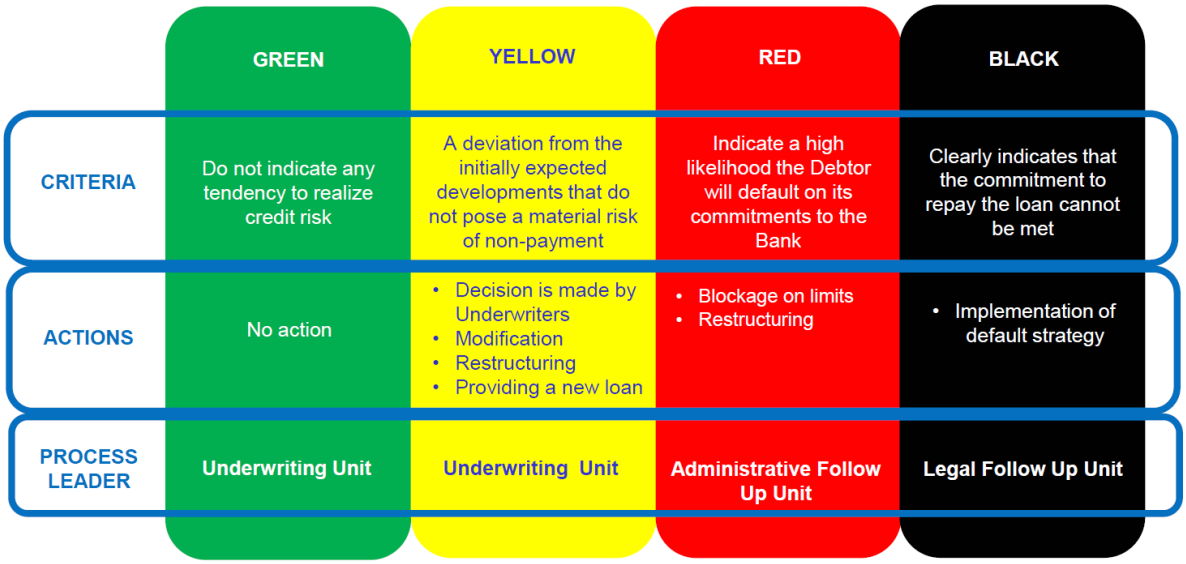
the Board of Directors. The regional credit managers have their own delegation authority for commercial and SME loans.

The delegation limits of the Issuer's Corporate and Commercial Credit is shown in the table below:

Board of Directors	>10% the of equity of the Bank
Credit Committee	<10% of the equity of the Bank

Early Warning System

The Bank's early warning system monitors all customers on a daily basis and forms the basis of risk monitoring process. The system is fed by both automatic and manual warning signals, such as the results of portfolio reviews, results of sectoral analysis, macro-economic developments and audit opinions. The system uses certain watch list criteria to standardise assessment approaches to the impact of certain client-specific developments on a client's timely repayment of debt, and clients are classified accordingly into four colour codes: green, yellow, red and black based on default risk. All monitoring and follow up processes are carried out on according to a client's risk classification group. In the event of a the occurrence of a watchlist criteria for any member of a risk classification group, all borrowers in this risk group are classified with the same colour code.



Credit Policy & Retail-SME, Agricultural Banking Credit Group

The Credit Policy & Retail-SME, Agricultural Banking Credits Allocation Department allocates and manages loans in line with the Issuer's risk appetite. Applicants for loans must demonstrate that they have sufficient payment capacity to service the loans being sought and otherwise satisfy the Issuer's credit criteria.

The Credit Policy & Retail-SME, Agricultural Banking Credit Group consists of the following units: credit policy departments for all business lines and credit functions; Retail, SME and Agricultural credit allocation departments; a loan loss reserve management and a credit reporting department; a credit analytics and decision system department; a collections analytics department; a credit risk modelling department; and a credit project management department. In addition, the Credit Policy & Retail-SME, Agricultural Banking Credit Group maintains credit coordination with Emirates NBD.

Delegation of applications is done within a pre-defined delegation framework, decided upon and documented by the related Credit Departments at the Head Office. All loan products are assessed separately and branch delegations are made depending on the product and are subject to an upper limit allocated per product. Any

delegation for a change in collateral must be authorised by the Head Office. Similarly, any delegation with respect to credits to be granted to the Issuer's employees resides with the Head Office.

Loan Assessment

Application Channels

Applications can be made through different channels, mainly branches, SMS or online.

Sources of Intelligence

The credit committee draws on a number of sources to assess the creditworthiness of a credit applicant. These include (i) SABAS, a database containing information on applicants who are or are thought to be fraudulent, compiled from external sources, such as the Credit Bureau of Turkey, Banks Association of Turkey, Prosecution Office and Public Notaries, as well as information regarding applications rejected as doubtful by the Issuer's fraud department; (ii) the Central Bank of Turkey's database, in which a search for dishonoured cheques, protested bills of exchange and impaired loans are carried out; (iii) the Credit Bureau of Turkey, which provides positive and negative information as to the customers' credit history and historical payment behaviour and loan applications, as well as personal data such as an individual's mother's maiden name, telephone number, address and employer; and (iv) an Address-Based Population Registration System, through which the address communicated by the customer during the credit application and the address in registration system is cross-checked for compliance.

Process

Applications are assessed in an automated workflow system that interacts with a decision engine.

The decision engine is an automated decision module that utilises intelligence sources such as SABAS, data from the Central Bank of the Republic of Turkey and credit bureaux and information such as banking history, application scorecards and behavioural scorecards to make a decision on credit applications received from any application channel.

Within pre-defined rules in the decision engine, matters such as the approval, rejection and referral of an application to an underwriter for final decision are managed automatically. For referrals, the delegation unit (Branch/Regional Credit Office/Head Office) is also defined in the decision engine and the application processing workflow directed referrals accordingly.

For a credit to be assessed under branch delegation, in addition to the amount and collateral limitations, it should also meet the Credit Bureau performance criteria as specified in the credit approval procedures. The decision engine also determines whether the requested credit is under branch delegation and applications are assessed by a Regional Credit Office unless the relevant criteria are met.

For credit cards, a limit control check from the Credit Bureau is also performed automatically as part of a legal requirement for determining card limits.

For SME Banking and Agricultural Banking, an additional decision module is used for the determination of the maximum loan amount and collateral requirement for each application, in accordance with the rating the application is assigned in the initial step. As in Retail, the decision engine decides on the delegation unit (Branch/Regional Credit Office/Head Office) and automatically directs the application to the appropriate unit.

Provisioning Policy

Starting from 1 January 2018, the Issuer's classification of financial assets (especially in loans and receivables) and calculation of provisions changed according to TFRS 9.

In accordance with TFRS 9, the Issuer's loan loss provisioning policy was replaced by the expected credit loss (**ECL**) model. ECL estimates are required to be unbiased, probability-weighted, and should include supportable information about past events, current conditions, and forecasts of future economic conditions. The ECL should reflect multiple macroeconomic scenarios and include the time value of money. The ECL model applies to all on-balance financial assets accounted for at amortised cost and fair value through other comprehensive income (**FVOCI**) such as loans and debt securities, as well as to off-balance items such as certain loan commitments, financial guarantees, and undrawn revolving credit facilities.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognised on outstanding amounts in each category, as follows:

- Stage 1: For financial assets at initial recognition or which do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded on the basis of 12-month expected credit losses.

- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

- Stage 3: Includes financial assets which have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognised and interest revenue is calculated on the net carrying amount.

Credit Follow-Up & Risk Monitoring Department

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. In order to prevent loans becoming non-performing due to either cyclical changes or structural problems, the Group has a close monitoring system in place to enable it to identify and resolve potential performance problems at an early stage. The close monitoring system is applied from the time of allocation until the repayment of the loan. If the system detects any risks, the borrower and loan are then monitored on the watch list and supervised until any problems that have been identified are resolved. Through this system, the Issuer has been able to keep problem loans to an acceptable level.

Along with the Credit Follow-Up & Risk Monitoring Department, the Credit Policy & Retail-SME, Agricultural Banking Credits Allocation Department, together with the Corporate and Commercial Credit Department, are also responsible for reviewing, monitoring and taking necessary steps to safeguard the loan portfolio. They review the credit files of all customers at least once a year and see that intelligence reports (on the market and unpaid cheques) are updated periodically and regular customer calls and factory visits are carried out. They also monitor sectoral trends and screen the portfolio according to specific criteria that may affect the performance of the industry as a whole, such as exchange rate fluctuations, increases in raw material cost, price instability and any extension of the credit term, and measures are taken to address any identified risks. They monitor any late payments of principal, interest or commissions and companies that do not meet their regular payment obligations are put on the watch list. Additionally, they monitor mid- to long-term credits that have been allocated for project financing purposes in order to see if the investment generates the volume and profitability anticipated during the feasibility study.

The Credit Follow-Up & Risk Monitoring Department works closely with the Credit Policy & Retail-SME, Agricultural Banking Credits Allocation Department and the Corporate and Commercial Credit Department. It is responsible for reviewing trends in payments and regularly monitoring compliance with covenants in loan and collateral documents. It is responsible for reviewing trends in payments and regularly monitoring compliance with covenants in loan and collateral documents. The Credit Follow-Up & Risk Monitoring Department will examine negative intelligence data and monitor any unpaid cheques, overdue interest and commission for non-cash loans, as well as confiscation and enforcement orders. The Department produces a number of periodic reports at intervals of one to 90 days to identify those companies which have or are likely to develop repayment problems. Any late payments of principal, interest or commissions are monitored. Companies that do not meet their regular payment obligations are immediately put onto the Watch List Portfolio and any necessary follow up action is taken by the Watch List Committees.

The combined monitoring of borrowers by the branches, regional offices, and the Credit Policy & Retail-SME, Agricultural Banking Credits Allocation Department and the Credit Follow-Up & Risk Monitoring Department and the Corporate and Commercial Credit Departments helps to ensure that the Group is in a position to take any available measures to assist in realising and maintaining a liquid, sound and profitable loan portfolio on a timely basis.

Borrowers can be placed in the Watch List Portfolio if there is evidence of a deterioration in their financial condition or as the result of negative intelligence, unpaid cheques or unfavourable developments in the sector, such as increasing raw material cost or similar matters. Once a borrower has been placed on the Watch List Portfolio, priority is given to strengthening collateral and liquidating the Group's remaining exposure. Subject to the approval of the Credit Policy & Retail-SME, Agricultural Banking Credits Allocation Department and the Corporate and Commercial Credit Department, it is possible to continue to work with watch list companies in a controlled way and on a transaction-by-transaction basis, rather than requiring immediate repayment. Companies in the Watch List Portfolio are also subject to monitoring by the Watch List Committee.

The Credit Follow-Up & Risk Monitoring Department is also responsible for following up on non-performing loans. The Credits Under Follow-up Department attempts to restructure the loan and prepares a repayment schedule for liquidation purposes. If needed, legal action is started in close co-operation with the Legal Department

Operational Risk Management

The Issuer defines operational risk as the risk of financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. The definition includes legal risk but excludes strategic risk. The definition is based on, but not restricted to, the one used by the Basel Committee, which focuses on losses (negative financial impacts), but which excludes reputation risk. As a consequence, the Issuer focuses on the risks which lead to financial loss, as well as the ones which could have an impact on the Issuer's reputation.

The operational risk department has three main functions: (i) collecting data on operational risk events, (ii) performing risk and control self-assessment studies, and (iii) coordinating business continuity plans. The department also closely works with Internal Audit and Internal Control in analysing risk assessments, loss events and action plans. It also collaborates with the Group's Insurance Department for Bankers Blanket Bond insurance and other business-related insurance policies, including electronic and computer insurance, professional indemnity insurance, business interruption insurance and directors' and officers' liability insurance.

An effective monitoring process is essential for any system of operational risk management. All operational risk events are registered in the events database with answers to a list of questions, including the dates, cause, event type, impact, process impacted and cause/impacted/detection unit. Frequently occurring events which lead to a high total impact and events which have an impact over a certain threshold are subject to further investigation. Potential operational risks are also defined by risk and control self-assessment studies. Both risk events and results of self-assessment studies are submitted to line managers. Action plans are designed and implemented for unacceptable risks and events.

In order to ensure business continuity in the Bank, a three-layer approach is implemented in the organisation. Actions for the first minutes/hours of disruption are defined in emergency action plans, which are tested for effectiveness. The Group seeks to ensure the continuous flow of information to both internal and external parties in the case of a disruption by employing a crisis management approach. Activities which are sensitive to the duration of any disruption are assessed by business impact analysis, and resource requirements (people, software, hardware, third party support, and internal dependencies) have been identified for these activities. Remedial measures are developed for specific operational risks and reviewed by senior management.

As a legal requirement, like many other banks in Turkey, the Issuer also uses the basic indicator approach for the calculation of operational risk for risk weighted assets. However, a new standardised approach is expected to be used in the near future. To apply the new standardised approach, the losses that occurred in the last 10 years is essential since this approach uses these losses for the calculation of operational risk. In this context, the Issuer has sufficient data and is fully compliant with the new standardised approach.

The table below sets out total risk weighted assets according to risk types:

	31 December 2019
Credit Risk	90.99%

Market Risk	0.77%
Operational Risk	8.23%
Total	**100%**

Capital Adequacy Management

Banks in Turkey are required to comply with capital adequacy guidelines published by the BRSA. These capital adequacy guidelines are based on standards established by BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%, Tier 1 ratio of a minimum of 6% and a CET 1 ratio of a minimum of 4.5%. By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) determine a different calculation and submission period for each bank's capital adequacy ratio. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The Bank and its individually regulated operations were in compliance with all of the above-mentioned capital adequacy requirements as of 31 December 2019.

The table below shows the Issuer's regulatory capital position on a consolidated BRSA basis as of 31 December 2019 and 31 December 2018 in TL thousands unless otherwise stated:

	31 December 2019	31 December 2018
COMMON EQUITY TIER I CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,316,100	3,316,100
Share issue premiums	15	15
Reserves	7,294,331	5,111,808
Gains recognised in equity as per TAS[(1)]	2,408,593	2,295,369
Profit	5,309,474	6,189,284
Current Period Profit	1,302,713	2,199,647
Prior Period Profit	4,006,761	3,989,637
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	778	708
Minorities' Share	22,772	14,396
Common Equity Tier I Capital Before Deductions	**18,352,063**	**16,927,680**
Deductions from Common Equity Tier I Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	--	--
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	178,993	858,359
Improvement costs for operating leasing	71,630	90,968
Goodwill (net of related tax liability)	--	--
Other intangibles other than mortgage-servicing rights (net of related tax liability)	339,978	271,191
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	--	296,702
Differences are not recognised at the fair value of assets and liabilities subject to hedge of cash flow risk	--	--
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	--	--
Gains arising from securitisation transactions	--	--
Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	--	--
Defined-benefit pension fund net assets	--	--
Direct and indirect investments of the Issuer in its own Common Equity	--	--
Shares obtained contrary to the 4th clause of the 56th Article of the Law	--	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Issuer owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--

Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Issuer owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Portion of mortgage servicing rights exceeding 10% of the Common Equity	--	--
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	--	--
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	--	--
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Issuer owns 10% or more of the issued common share capital	--	--
Excess amount arising from mortgage servicing rights	--	--
Excess amount arising from deferred tax assets based on temporary differences	--	--
Other items to be defined by the BRSA	--	--
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	--	--
Total Deductions From Common Equity Tier I Capital	**590,601**	**1,517,220**
Total Common Equity Tier I Capital	**17,761,462**	**15,410,460**
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	--	--
Debt instruments and premiums approved by BRSA	--	--
Debt instruments and premiums approved by BRSA (Temporary Article 4)	--	--
Third parties' share in the Additional Tier I capital	--	--
Third parties' share in the Additional Tier I capital (Temporary Article 3)	--	--
Additional Tier I Capital before Deductions	**--**	**--**
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Issuer in its own Additional Tier I Capital .	--	--
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	--	--
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Issuer Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	--	--
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Issuer Owns more than 10% of the Issued Share Capital	--	--
Other items to be defined by the BRSA		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	--	--
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	--	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	--	--
Total Deductions From Additional Tier I Capital	--	--
Total Additional Tier I Capital	--	--
Total Tier I Capital (Tier I Capital=Common Equity + Additional Tier I Capital)	**17,761,462**	**15,410,460**
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	4,889,713	5,606,183
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	--	--
Third parties' share in the Tier II Capital	--	--
Third parties' share in the Tier II Capital (Temporary Article 3)	--	--
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,951,821	1,749,362
Tier II Capital Before Deduction	**6,841,534**	**7,355,545**
Deductions From Tier II Capital		
Direct and indirect investments of the Issuer on its own Tier II Capital (-)	--	--
Investments of Bank to Banks that invest on Bank's Tier II and components of equity issued by financial institutions with the conditions declared in Article 8	--	--
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Issuer owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--

Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Issuer owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	--	--
Other items to be defined by the BRSA (-)	--	--
Total Deductions from Tier II Capital	--	--
Total Tier II Capital	**6,841,534**	**7,355,545**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**24,602,996**	**22,766,005**
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	--	--
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	--	--
Other items to be defined by the BRSA	11,554	15,001
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	--	--
The Sum of net long positions of investments in the Additional Tier I capital and Tier II capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier I capital, Additional Tier I capital, Tier II capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds.	--	--
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds.	--	--
TOTAL CAPITAL		
Total Capital ((The sum of Tier I Capital and Tier II Capital)	24,591,442	22,751,004
Total risk weighted amounts	171,601,009	152,368,431
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	10.35	10.11
Tier I Capital Adequacy Ratio (%)	10.35	10.11
Capital Adequacy Ratio (%)	14.33	14.93
BUFFERS		
Total additional Common Equity Tier I Capital requirement ratio	2.662	1.989
Bank specific total common equity tier I capital ratio (%)	2.500	1.875
Capital conservation buffer requirement (%)	0.162	0.114
Systemic significant bank buffer ratio (%)	--	--
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.883	1.063
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	--	--
Portion of the total of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital.	--	--
Amount arising from mortgage-servicing rights	--	--
Amount arising from deferred tax assets based on temporary differences	--	--
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before one hundred twenty five in ten thousand limitation)	5,137,201	3,221,135
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,951,821	1,749,362
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	--	--

Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	--	--
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	--	--
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	--	--
Upper limit for Additional Tier II Capital subjected to temporary Article 4[2]	--	--
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--	--

(1) As of May 2018, the difference between the provision for expected credit loss calculated in accordance with TFRS 9 and the total provision amount calculated before the application of TFRS 9 has been recorded in "Prior Years' Profit and Loss" account. Therefore, in accordance with Provisional Article 5 of the "Regulation on Equity of Banks", this amount has started to be shown net in the calculation of equity by adding 60% of the portion after deduction of the tax amount resulting from the difference (31 December 2018: 80%).

(2) There are no credits included in Tier II capital related to "Temporary Article 4".

The table below shows the Issuer's regulatory capital position on a consolidated BRSA basis as of 31 December 2017 in TL thousands unless otherwise stated:

	Current Period 31 December 2017	**Amounts subject to treatment before 1/1/2014**
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	3,316,100	
Share premium	15	
Legal reserves	4,184,425	
Projected gains to shareholders' equity of the accounting standards in Turkey	545,662	
Profit	5,263,883	
Net current period profit	1,900,758	
Prior period profit	3,363,125	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	708	
Minority shares	9,644	
Common Equity Tier 1 capital before regulatory adjustments	**13,320,437**	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	--	
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	467,030	
Development cost of operating lease	110,176	
Goodwill (net of related tax liability)	695	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150,304	187,882
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,154	
Cash-flow hedge reserve	--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--	
Gains from securitisation transactions	--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--	
Defined-benefit pension fund net assets	--	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	--	
Reciprocal cross-holdings in common equity	--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh	--	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	--	
Mortgage servicing rights (amount above 10% threshold)	--	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	--	
Amount exceeding the 15% threshold	--	
of which: significant investments in the common stock of financials	--	
of which: mortgage servicing rights	--	
of which: deferred tax assets arising from temporary differences	--	

	Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014
National specific regulatory adjustments	--	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	--	
Total regulatory adjustments to Common equity Tier 1	**729,359**	
Common Equity Tier 1 capital (CET1)	**12,591,078**	
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	--	
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	--	
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	--	
The additional Tier 1 capital shares of third parties	--	
The additional Tier 1 capital shares of third parties (Geçici Madde 3 kapsamında olanlar)	--	
Additional Tier 1 capital before regulatory adjustments	--	
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	--	
Reciprocal cross-holdings in Additional Tier 1 instruments	--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--	
National specific regulatory adjustments	--	
The process of transition will continue to reduce from Tier 1 Capital	--	
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	37,752	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)	289	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	--	
Total regulatory adjustments to Additional Tier 1 capital	**38,041**	
Additional Tier 1 capital (AT1)	**(38,041)**	
Tier 1 capital (T1 = CET1 + AT1)	**12,553,037**	
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	4,479,778	
Directly issued qualifying Tier 2 instruments plus related stock surplus	--	
The additional Tier 1 capital shares of third parties	--	
The additional Tier 1 capital shares of third parties ((Covered by Temporary Article 3)	--	
Provisions	1,376,307	
Tier 2 capital before regulatory adjustments	**5,856,085**	
Tier 2 capital: regulatory adjustments		
Investments in own Tier 2 instruments (-)	--	
Reciprocal cross-holdings in Tier 2 instruments	--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--	
National specific regulatory adjustments (-)	--	
Total regulatory adjustments to Tier 2 capital	--	
Tier 2 capital (T2)	**5,856,085**	
Total capital (TC = T1 + T2)	**18,409,122**	
Total risk weighted assets		
Loans extended being non compliant with articles 50 and 51 of the Law	--	
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been	--	

	Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014
Disposed yet After 5 Years After Foreclosure.....		
National specific regulatory adjustments	15,725	
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital		
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%.....	--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--	
Capital		
Total capital	18,393,397	
Total risk weighted items.....	120,211,594	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10.47	
Consolidated Tier 1 Capital Adequacy Ratio (%).....	10.44	
Consolidated Capital Adequacy Standard Ratio (%)	15.30	
BUFFERS		
Institution specific buffer requirement.....	1.302	
Capital conservation buffer requirement (%)	1.250	
Bank specific countercyclical buffer requirement (%).....	0.052	
Systemically important Bank buffer (%)	--	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)		
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials..	--	
Significant investments in the common stock of financials.....	--	
Mortgage servicing rights (net of related tax liability).....	--	
Deferred tax assets arising from temporary differences (net of related tax liability)	--	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap).....	1,440,765	
Cap on inclusion of provisions in Tier 2 under standardised approach	1,376,307	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	--	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--	
Capital instruments subject ta phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	--	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--	
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds (*)	--	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--	

(*) There are no credits included in Tier 2 capital related to "Temporary Article 4".

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the quoted market price, if available.

The estimated fair value of financial instruments has been determined by the Issuer with the use of available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data in order to develop the estimated fair value. Accordingly, the estimated fair value presented in this Base Prospectus is not necessarily indicative of the amount the Issuer could realise in a current market exchange transaction.

The tables below summarises the carrying value and fair value of the financial assets and liabilities as at 31 December 2019, 2018 and 2017. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	As at 31 December 2019	
	Book Value	*Fair Value*
Financial Assets	**182,088,907**	**187,112,503**
Interbank Money Market Placements	1,261,789	1,261,789
Banks	6,705,382	6,436,658
Financial Assets at Fair Value Through Other Comprehensive Income	14,174,570	14,174,570
Financial Assets Measured at Amortised Cost	6,773,054	6,730,693
Loans	153,174,112	158,508,793
Financial Liabilities	**185,107,686**	**184,926,584**
Bank Deposits	3,750,581	3,752,984
Other Deposits	154,458,603	154,289,962
Interbank Money Market Borrowings	459,048	459,048
Funds Borrowed From Other Financial Institutions	15,187,428	15,318,827
Subordinated Loans	7,037,253	6,944,878
Securities Issued	4,214,773	4,160,885

	As at 31 December 2018	
	Book Value	*Fair Value*
Financial Assets	**159,846,452**	**154,128,735**
Interbank Money Market Placements	9,780	9,780
Banks	6,625,768	6,627,163
Financial Assets at Fair Value Through Other Comprehensive Income	7,914,489	7,914,489
Financial Assets Measured at Amortised Cost	6,239,810	5,819,732
Loans	139,056,605	133,757,571
Financial Liabilities	**167,981,742**	**167,208,476**
Bank Deposits	2,677,887	2,673,695
Other Deposits	137,263,589	137,068,134
Interbank Money Market Borrowings	1,415,797	1,415,797
Funds Borrowed From Other Financial Institutions	16,362,160	16,308,749
Subordinated Loans	6,274,450	5,777,019
Securities Issued	3,987,859	3,965,082

	As at 31 December 2017	
	Book Value	*Fair Value*
Financial Assets	**138,654,364**	**137,548,472**
Interbank Money Market Placements	785,672	785,672
Banks	10,657,628	10,655,679
Investment Securities Available-For-Sale	7,046,033	7,046,033
Investment Securities Held-To-Maturity	5,335,639	5,299,803
Loans and Other Receivables	114,829,392	113,761,285
Financial Liabilities	**140,981,560**	**140,875,122**
Bank Deposits	3,981,559	3,978,312
Other Deposits	107,428,905	107,509,723
Interbank Money market borrowings	4,007,166	4,007,166
Funds Borrowed From Other Financial Institutions	14,680,242	14,528,125
Subordinated Loans	5,261,523	5,225,391
Securities Issued	3,672,758	3,676,998
Miscellaneous Payables	1,949,407	1,949,407

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Banks, Bank Deposits, Other Deposits, Securities Issued and Funds Borrowed from Other Financial Institutions

The fair values of banks, bank deposits, other deposits, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

Loans

The expected fair value of the loans is determined by calculating the discounted cash flows using current market interest rates.

Financial assets

The fair values of financial assets measured at amortised cost are determined based on market prices, or, when such prices are not available, according to the market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

Demand Deposits

The estimated fair value of demand deposits represents the amount to be paid upon request.

Overnight Deposits and Variable Rate Placements

The fair value of overnight deposits and variable rate placements represents their book value.

Fixed Interest Deposits

The fair value of fixed interest deposits is determined by calculating the discounted cash flows using market interest rates applied to similar loans and other debts.

Assets and liabilities measured at fair value

The following table presents assets and liabilities at fair value as of 31 December 2019 in TL thousands.

Current Period	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets at Fair Value Through Profit or Loss	177,156	--	--	177,156
Public Sector Debt Securities.....	21,440	--	--	21,440
Share Certificated.....	153,516	--	--	153,516
Trading Purpose Derivatives.....	2,200	--	--	2,200
Other Securities.....	--	1,662,763		1,662,763
Financial Assets at Fair Value Through Other Comprehensive Income.....	14,096,173	--	--	14,096,173
Public Sector Debt Securities.....	13,311,616	--	--	13,311,616
Other Securities.....	784,557	--	--	784,557
Loans at Fair Value Through Profit or Loss.....	--	--	329,100	329,100
Total Assets	**14,273,329**	**1,662,763**	**329,100**	**16,265,192**
Derivative Financial Liabilities at Fair Value Through Profit or Loss.....	--	880,875	--	880,875
Total Liabilities	**--**	**880,875**	**--**	**880,875**

Risk Committees

Within the Bank, risk management is performed by the audit committee, the assets and liabilities committee, the credit committee and the executive credit risk committee.

The Audit Committee

The Audit Committee is empowered by the Board of Directors to assess the adequacy of the Group's risk management system and to develop strategies relating to risk management. The Audit Committee reviews the Risk Management Group's reports, approves general principles of risk control and risk management, monitors limits for all relevant risks and determines the procedures that the Group is to apply in controlling and managing risk.

The Audit Committee meets on a quarterly basis and has three members including the member of the Board of Directors responsible for risk management, audit and internal control. Although not members of the Audit Committee, the Issuer's Chief Financial Officer, Head of Internal Audit, Head of Internal Control Unit and Head of the Risk Management Group attend the quarterly meetings to present reports on the Group's performance over the quarter.

The Asset and Liabilities Committee

The Asset and Liabilities Committee (the **ALCO**) is responsible for formulating and overseeing the implementation of the Group's asset and liability management strategy. The responsibilities of the ALCO include regular monitoring of the Group's position with respect to interest rate-sensitive assets and liabilities, monitoring the mismatch of the maturities gap, the Group's liquidity position, and the characteristics of the loan portfolio, including interest income and expense on various assets and liabilities. The ALCO also monitors conditions in the financial markets, including the foreign currency market. Using the information obtained through its monitoring operations, the ALCO makes weekly decisions on the Group's overall funding structure as well as regularly determining the availability of resources for Corporate and Commercial, SME, Agriculture, and Retail lending. The ALCO is responsible for setting overall interest rate levels and terms across the Group as a whole, as well as for determining the interest rates the Issuer charges on corporate, commercial and consumer loans. The ALCO makes decisions on all areas relating to risk positions, including interest rate and foreign currency risk. In each case, it conducts an analysis of the risk and profitability of each position. The ALCO makes decisions in relation to the buying and selling of securities to manage the Group's position.

The ALCO has 20 members, including the Issuer's Chief Executive Officer (who also chairs the committee), the Chief Financial Officer, the member of the Board of Directors responsible for internal risk systems, the board member responsible for credit risk, the Executive Vice Presidents of its main business segments (Retail, SME, Agriculture, and Corporate and Commercial), the Executive Vice President of the Treasury and Private Banking Group, the associated Senior Vice Presidents, the Chief Economist of the Bank, and a representative of the Risk Management Group. Reporting directly to the Board of Directors, the ALCO meets every week to determine the Group's weekly assets and liabilities strategy on the basis of the Group's balance sheets, review the activities of the Group's business lines, and discuss general economic highlights and current economic and political developments and their implications for the Group.

Credit Committee

The Credit Committee is comprised of three full and two alternate members of the Board of Directors and is responsible for lending processes at the Group. The Credit Committee has ultimate authority to ratify lending decisions and to assess the compliance of approved loan applications with legislation and regulations, banking principles and objectives and the Group's internal lending policies. The Credit Committee is supported by an appraisal committee which conducts an initial assessment of loan applications submitted by the branches. The Credit Committee meets on a weekly basis to assess loan proposals and applications. Depending on the riskiness or magnitude of a proposed loan, the Credit Committee may refer certain loan proposals or applications to the Board of Directors for approval. The meeting frequency of the Committee could change in accordance with the Issuer's business plan.

Executive Credit Risk Committee

The Executive Credit Risk Committee is comprised of 11 members of the Board of Directors and is responsible for reviewing the market and economic conditions and evaluating the issues that might negatively affect the credit portfolio of the Issuer and its subsidiaries, monitoring, *inter alia*, economic developments that might lead to the deterioration of the credit worthiness of the Issuer's customers, and making assessments concerning the provisions. The Executive Credit Risk Committee meets on a quarterly basis and the number of its members can fluctuate with changes in the Issuer's organisational structure.

SELECTED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected consolidated financial information of the Issuer and its subsidiaries derived from the Annual Financial Statements included elsewhere in this Base Prospectus.

Prospective investors should read the following information in conjunction with "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Annual Financial Statements.

Balance Sheet Data

	As of 31 December 2019			As of 31 December 2018		
ASSETS	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
FINANCIAL ASSETS (Net)....	**11,849,972**	**48,127,729**	**59,977,701**	**9,852,047**	**35,325,203**	**45,177,250**
Cash and Cash Equivalents.....	4,695,803	38,938,309	43,634,112	2,641,967	32,113,372	34,755,339
Cash and Balances at Central Bank	1,530,609	34,141,244	35,671,853	2,374,157	25,750,052	28,124,209
Banks	1,903,476	4,801,906	6,705,382	258,162	6,367,606	6,625,768
Due from Money Markets.....	1,261,789	–	1,261,789	9,780	–	9,780
Expected Credit Losses (-).....	71	4,841	4,912	132	4,286	4,418
Financial Assets at Fair Value through Profit or Loss.....	**20,633**	**485,623**	**506,256**	**91,872**	**421,239**	**513,111**
Public Debt Securities	18,389	3,051	21,440	90,381	1,767	92,148
Equity Instruments	44	153,472	153,516	–	95,845	95,845
Other Financial Assets.....	2,200	329,100	331,300	1,491	323,627	325,118
Financial Assets at Fair Value through Other Comprehensive Income.....	**6,147,636**	**8,026,934**	**14,174,570**	**5,838,928**	**2,075,561**	**7,914,489**
Public Debt Securities	6,069,466	7,242,150	13,311,616	5,838,150	1,516,476	7,354,626
Equity Instruments	78,170	227	78,397	778	200	978
Other Financial Assets.....	–	784,557	784,557	–	558,885	558,885
Derivative Financial Assets	985,900	676,863	1,662,763	1,279,280	715,031	1,994,311
Portion of Derivative Financial Assets Reflected to Profit or Loss	985,900	676,863	1,662,763	1,279,280	715,031	1,994,311
Portion of Derivative Financial Assets Reflected to Other Comprehensive Income	–	–	–	–	–	–
FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net).....	**69,796,431**	**79,761,375**	**149,557,806**	**67,095,420**	**77,876,251**	**144,971,671**
Loans.....	**72,255,743**	**76,632,862**	**148,888,605**	**66,880,326**	**73,476,068**	**140,356,394**
Lease Receivables.....	**513,049**	**2,197,532**	**2,710,581**	**715,049**	**2,345,061**	**3,060,110**
Factoring Receivables.....	**1,388,379**	**186,547**	**1,574,926**	**2,151,008**	**210,829**	**2,361,837**
Financial Assets Measured at Amortised Cost.....	**4,037,660**	**2,735,394**	**6,773,054**	**3,779,643**	**2,460,167**	**6,239,810**
Public Debt Securities	4,037,660	2,735,394	6,773,054	3,779,643	2,460,167	6,239,810
Other Financial Assets.....	–	–	–	–	–	–
Expected Credit Losses (-)	**8,398,400**	**1,990,960**	**10,389,360**	**6,430,606**	**615,874**	**7,046,480**
NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	–	–	–	–	–	–
Held for Sale.....	–	–	–	–	–	–
Held from Discontinued Operations	–	–	–	–	–	–
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	**761,971**	**233**	**762,204**	**806,290**	**211**	**806,501**
Investments in Associates (Net)	**13,596**	**–**	**13,596**	**10,833**	**–**	**10,833**
Accounted by Using Equity Method.....	–	–	–	–	–	–
Non-Consolidated Associates	13,596	–	13,596	10,833	–	10,833
Investments in Subsidiaries (Net)	**745,575**	**233**	**745,808**	**792,657**	**211**	**792,868**

ASSETS	As of 31 December 2019			As of 31 December 2018		
	TL	FC	Total	TL	FC	Total
.....						
Unconsolidated Financial Subsidiaries.....	–	–	–	–	–	–
Unconsolidated Non-Financial Subsidiaries.....	745,575	233	745,808	792,657	211	792,868
Jointly Controlled Partnerships (Joint Ventures) (Net).....	**2,800**	**–**	**2,800**	**2,800**	**–**	**2,800**
Accounted by Using Equity Method	–	–	–	–	–	–
Non-Consolidated Associates	2,800	–	2,800	2,800	–	2,800
TANGIBLE ASSETS (Net).....	**1,364,090**	**288,076**	**1,652,166**	**681,372**	**200,412**	**881,784**
INTANGIBLE ASSETS (Net).	**301,199**	**38,779**	**339,978**	**240,158**	**31,033**	**271,191**
Goodwill.....	–	–	–	–	–	–
Other	301,199	38,779	339,978	240,158	31,033	271,191
INVESTMENT PROPERTY (Net).....	**218,680**	**–**	**218,680**	**202,001**	**–**	**202,001**
CURRENT TAX ASSETS.....	**260,787**	**57,865**	**318,652**	**8,975**	**564**	**9,539**
DEFERRED TAX ASSETS	**1,037,985**	**7,360**	**1,045,345**	**1,062,119**	**151,504**	**1,213,623**
OTHER ASSETS (Net)	**2,386,842**	**1,054,699**	**3,441,541**	**2,034,138**	**1,743,738**	**3,777,876**
TOTAL ASSETS.....	**87,977,957**	**129,336,116**	**217,314,073**	**81,982,520**	**115,328,916**	**197,311,436**

LIABILITIES AND SHAREHOLDERS' EQUITY	As of 31 December 2019			As of 31 December 2018		
	TL	FC	Total	TL	FC	Total
DEPOSITS	**51,860,131**	**106,349,053**	**158,209,184**	**48,184,217**	**91,757,259**	**139,941,476**
FUNDS BORROWED.....	**941,524**	**14,245,904**	**15,187,428**	**1,829,916**	**14,532,244**	**16,362,160**
DUE TO MONEY MARKETS	**113,392**	**345,656**	**459,048**	**1,415,797**	**–**	**1,415,797**
SECURITIES ISSUED (Net)...	**3,935,477**	**279,296**	**4,214,773**	**3,086,177**	**901,682**	**3,987,859**
Bills.....	3,626,080	–	3,626,080	3,079,013	–	3,079,013
Asset Backed Securities.....	–	–	–	–	–	–
Bonds	309,397	279,296	588,693	7,164	901,682	908,846
FUNDS	**–**	**–**	**–**	**–**	**–**	**–**
Borrower Funds	–	–	–	–	–	–
Other	–	–	–	–	–	–
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS.....	**–**	**–**	**–**	**–**	**–**	**–**
DERIVATIVE FINANCIAL LIABILITIES.....	**188,257**	**692,618**	**880,875**	**908,105**	**1,141,758**	**2,049,863**
Portion of Derivative Financial Liabilities Reflected to Profit or Loss.....	188,257	692,618	880,875	908,105	1,141,758	2,049,863
Portion of Derivative Financial Liabilities Reflected to Other Comprehensive Income	–	–	–	–	–	–
FACTORING PAYABLES.....	**–**	**–**	**–**	**–**	**–**	**–**
LEASE PAYABLES (NET)	**547,355**	**71,247**	**618,602**	**–**	**–**	**–**
PROVISIONS.....	**1,734,174**	**123,552**	**1,857,726**	**926,309**	**18,859**	**945,168**
Provision for Restructuring	–	–	–	–	–	–
Reserves for Employee Benefits	337,981	21,938	359,919	205,580	17,480	223,060
Insurance Technical Reserves (Net).....	–	–	–	–	–	–
Other Provisions.....	1,396,193	101,614	1,497,807	720,729	1,379	722,108
CURRENT TAX LIABILITIES	**331,211**	**3,857**	**335,068**	**295,779**	**67,170**	**362,949**
DEFERRED TAX LIABILITIES.....	**3,172**	**78,927**	**82,099**	**1,050**	**24,778**	**25,828**
LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net).....	**–**	**–**	**–**	**–**	**–**	**–**
Held for Sale.....	–	–	–	–	–	–
Related to Discontinued	–	–	–	–	–	–

LIABILITIES AND SHAREHOLDERS' EQUITY	As of 31 December 2019			As of 31 December 2018		
	TL	FC	Total	TL	FC	Total
Operations						
SUBORDINATED DEBT	**–**	**7,037,253**	**7,037,253**	**–**	**6,274,450**	**6,274,450**
Loans	–	7,037,253	7,037,253	–	6,274,450	6,274,450
Other Debt Instruments	–	–	–	–	–	–
OTHER LIABILITIES	**4,071,344**	**6,611,761**	**10,683,105**	**3,984,658**	**6,455,958**	**10,440,616**
SHAREHOLDERS` EQUITY.	**8,230,177**	**9,518,735**	**17,748,912**	**8,078,680**	**7,426,590**	**15,505,270**
Paid-in Capital	3,316,100	–	3,316,100	3,316,100	–	3,316,100
Capital Reserves	67,576	–	67,576	67,576	–	67,576
Share Premium	15	–	15	15	–	15
Share Cancellation Profits	–	–	–	–	–	–
Other Capital Reserves	67,561	–	67,561	67,561	–	67,561
Other Accumulated Comprehensive Income That Will Not Be Reclassified in Profit or Loss	679,604	47,309	726,913	776,465	39,211	815,676
Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss	(4,166,463)	5,178,209	1,011,746	(3,915,648)	3,906,078	(9,570)
Profit Reserves	7,278,139	16,192	7,294,331	5,095,616	16,192	5,111,808
Legal Reserves	455,936	5,019	460,955	346,810	5,019	351,829
Statutory Reserves	–	–	–	–	–	–
Extraordinary Reserves	6,822,203	11,173	6,833,376	4,748,806	11,173	4,759,979
Other Profit Reserves	–	–	–	–	–	–
Profit or Loss	1,032,449	4,277,025	5,309,474	2,724,175	3,465,109	6,189,284
Prior Years' Profits or Losses	568,878	3,437,883	4,006,761	1,593,545	2,396,092	3,989,637
Current Period Net Profit or Loss	463,571	839,142	1,302,713	1,130,630	1,069,017	2,199,647
Minority Share	22,772	–	22,772	14,396	–	14,396
TOTAL LIABILITIES AND EQUITY	**71,956,214**	**145,357,859**	**217,314,073**	**68,710,688**	**128,600,748**	**197,311,436**

The format of the Group's balance sheets changed starting in 2019 in accordance with the "Communiqué amending the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette dated 1 February 2019 with No. 30673. Its 2018 financials have been updated in accordance with these formatting changes. The 2017 balance sheet data below is provided for historical purposes, but care should be exercised in comparing the data below with the 2018 and 2019 balance sheet data above since the 2017 financial statements do not reflect the application of TFRS 9 effective from 1 January 2018. In addition, the 2019 financials above reflect the application of TFRS 16.

Assets	As of 31 December 2017		
	TL	FC	Total
CASH AND BALANCES WITH THE CENTRAL BANK	**3,066,837**	**13,901,975**	**16,968,812**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	560,050	497,713	1,057,763
Financial Assets Held For Trading	560,050	497,713	1,057,763
Public Sector Debt Securities	76,232	4,479	80,711
Share Certificates	-	95	95
Positive Value of Trading Purpose Derivatives	482,669	493,139	975,808
Other Securities	1,149	-	1,149
Financial Assets Designated at Fair Value	-	-	-
Public Sector Debt Securities	-	-	-
Share Certificates	-	-	-
Loans	-	-	-
Other Securities	-	-	-
BANKS	**819.136**	**9.838.492**	**10.657.628**
DUE FROM MONEY MARKETS	**785,672**	**-**	**785,672**
Interbank Money Market	-	-	-
Istanbul Stock Exchange	34,886	-	34,886
Reverse Repurchase Agreements	750,786	-	750,786

	As of 31 December 2017		
Assets	**TL**	**FC**	**Total**
FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	**5,760,627**	**1,285,406**	**7,046,033**
Share Certificates	3,956	59,182	63,138
Public Sector Debt Securities	5,756,671	657,574	6,414,245
Other Securities	-	568,650	568,650
LOANS AND RECEIVABLES	**60,228,273**	**50,153,033**	**110,381,306**
Loans and Receivables	59,339,736	50,145,479	109,485,215
Loans Utilised to the Issuer's Risk Group	13,638	-	13,638
Public Sector Debt Securities	-	-	-
Others	59.326.098	50.145.479	109.471.577
Loans under Follow-Up	4.006.824	17.790	4.024.614
Specific Provisions (-)	3,118,287	10,236	3,128,523
FACTORING RECEIVABLES	**1,781,817**	**64,328**	**1,846,145**
INVESTMENT HELD TO MATURITY (Net)	3,555,857	1,779,782	5,335,639
Public Sector Debt Securities	3,555,857	1,779,782	5,335,639
Other Securities	-	-	-
INVESTMENTS IN ASSOCIATES (Net)	**10,833**	**-**	**10,833**
Associates accounted for Under Equity Method	-	-	-
Unconsolidated Associates	10.833	-	10.833
Financial Associates	1.508	-	1.508
Non-Financial Associates	9.325	-	9.325
INVESTMENTS IN SUBSIDIARIES (Net)	**41,543**	**158**	**41,701**
Unconsolidated Financial Subsidiaries	-	-	-
Unconsolidated Non-Financial Subsidiaries	41.543	158	41.701
ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	**2,800**	**-**	**2,800**
Joint Ventures accounted for Under Equity Method	-	-	-
Unconsolidated Joint Ventures	2.800	-	2.800
Financial Joint Ventures	-	-	-
Non-Financial Joint Ventures	2.800	-	2.800
LEASE RECEIVABLES (Net)	**540.830**	**2.061.111**	**2.601.941**
Financial Lease Receivables	712.179	2.531.230	3.243.409
Operational Lease Receivables	2.557	-	2.557
Others	-	-	-
Unearned Income (-)	173.906	470.119	644.025
HEDGING PURPOSE DERIVATIVES	**-**	**-**	**-**
Fair Value Hedge	-	-	-
Cash Flow Hedge	-	-	-
Hedging of a Net Investment in Foreign Subsidiaries	-	-	-
TANGIBLE ASSETS (Net)	**603,216**	**146,298**	**749,514**
INTANGIBLE ASSETS (Net)	**173.557**	**15.194**	**188.751**
Goodwill	869	-	869
Others	172.688	15.194	187.882
INVESTMENT PROPERTIES (Net)	**171,467**	**-**	**171,467**
TAX ASSETS	**223.175**	**-**	**223.175**
Current Tax Assets	6.557	-	6.557
Deferred Tax Assets	216.618	-	216.618
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	**-**	**-**	**-**
Held For Sale	-	-	-
Discontinued Operations	-	-	-
OTHER ASSETS	**1,345,926**	**1,008,024**	**2,353,950**
TOTAL ASSETS	**79,671,616**	**80,751,514**	**160,423,130**

Income Statement Data

	For the year ended 31 December 2019	For the year ended 31 December 2018
STATEMENT OF PROFIT OR LOSS		
INTEREST INCOME	**20,042,379**	**17,876,835**
Interest on loans	17,454,496	15,279,502
Interest received from reserve deposits	145,307	193,978
Interest received from banks	243,470	256,573
Interest received from money market transactions	81,945	13,579
Interest received from marketable securities portfolio	1,591,696	1,752,421
Financial assets at fair value through profit or loss	15,376	24,001
Financial assets at fair value through other comprehensive income	1,053,858	861,440
Financial assets measured at amortised cost	522,462	866,980
Financial lease income	246,778	251,393
Other interest income	278,687	129,389
INTEREST EXPENSES (-)	**11,647,636**	**10,841,929**

	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest on deposits	8,934,464	8,497,008
Interest on funds borrowed	1,542,835	1,310,826
Interest on money market transactions	102,141	386,020
Interest on securities issued	892,512	591,069
Lease expenses	150,650	–
Other interest expenses	25,034	57,006
NET INTEREST INCOME/EXPENSE	**8,394,743**	**7,034,906**
NET FEES AND COMMISSIONS INCOME/EXPENSES	**3,746,043**	**2,228,387**
Fees and commissions received	5,004,170	3,150,681
Non-cash loans	455,247	316,958
Other	4,548,923	2,833,723
Fees and commissions paid (-)	1,258,127	922,294
Non-cash loans	9,635	6,400
Other	1,248,492	915,894
DIVIDEND INCOME	**4,871**	**2,432**
TRADING PROFIT/LOSS (Net)	**(335,785)**	**(430,271)**
Profit/losses from capital market transactions	163,709	(401)
Profit/losses from derivative financial transactions	(178,916)	1,646,385
Foreign exchange profit/losses	(320,578)	(2,076,255)
OTHER OPERATING INCOME	**413,144**	**448,967**
GROSS PROFIT FROM OPERATING ACTIVITIES	**12,223,016**	**9,284,421**
EXPECTED CREDIT LOSSES (-)	**6,061,063**	**2,665,250**
OTHER PROVISION EXPENSES (-)	**178,086**	**233,327**
PERSONNEL EXPENSES (-)	**1,895,860**	**1,586,909**
OTHER OPERATING EXPENSES (-)	**2,372,590**	**2,099,651**
NET OPERATING PROFIT/LOSS	**1,715,417**	**2,699,284**
SURPLUS WRITTEN AS GAIN AFTER MERGER	**–**	**–**
PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES	**–**	**–**
NET MONETORY POSITION GAIN/LOSS	**–**	**–**
PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS	**1,715,417**	**2,699,284**
PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	**(407,101)**	**(495,196)**
Current tax provision	(158,057)	(390,081)
Expense effect of deferred tax (+)	(2,448,110)	(4,431,703)
Income effect of deferred tax (-)	2,199,066	4,326,588
NET PROFIT/LOSS FROM CONTINUING OPERATIONS	**1,308,316**	**2,204,088**
INCOME FROM DISCONTINUED OPERATIONS	**–**	**–**
Income from assets held for sale	–	–
Profit from sale of associates, subsidiaries and joint ventures	–	–
Other income from discontinued operations	–	–
EXPENSES FROM DISCONTINUED OPERATIONS (-)	**–**	**–**
Expenses on assets held for sale	–	–
Losses from sale of associates, subsidiaries and joint ventures	–	–
Other expenses from discontinued operations	–	–
PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±)	**–**	**–**
TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	**–**	**–**
Current tax provision	–	–
Expense effect of deferred tax (+)	–	–
Income effect of deferred tax (-)	–	–
NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS		
NET PROFIT/LOSSES	**1,308,316**	**2,204,088**
Group`s profit/loss	1,302,713	2,199,647
Minority shares profit / loss (-)	5,603	4,441
Earnings / Losses per share (Per thousand share)	0.39	0.66

	For the year ended 31 December 2019	For the year ended 31 December 2018
CURRENT PERIOD PROFIT OR LOSS	**1,308,316**	**2,204,088**
OTHER COMPREHENSIVE INCOME	**932,553**	**204,912**
Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	**(88,763)**	**165,392**
Gains (Losses) on Revaluation of Property, Plant and Equipment	11,158	24,597
Gains (Losses) on Revaluation of Intangible Assets	–	–
Gains (Losses) on Remeasurements of Defined Benefit Plans	(56,716)	(38,690)
Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	(53,079)	176,702
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	9,874	2,783
Other Comprehensive Income That Will Be Reclassified to Profit or Loss	**1,021,316**	**39,520**
Exchange Differences on Translation	1,043,875	1,966,038
Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair	924,582	(444,256)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Value through Other Comprehensive Income		
Income (Loss) Related to Cash Flow Hedges	7,926	(37,704)
Income (Loss) Related to Hedges of Net Investments in Foreign Operations	(957,293)	(1,988,721)
Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	–	–
Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	2,226	544,163
TOTAL COMPREHENSIVE INCOME/(LOSS)	**2,240,869**	**2,409,000**

INCOME AND EXPENSE ITEMS	**For the year ended 31 December 2017**
INTEREST INCOME	**12,824,198**
Interest from Loans	11,047,206
Interest from Reserve Deposits	101,420
Interest from Banks	220,226
Interest from Money Market Transactions	22,355
Interest from Securities Portfolio	1,107,426
Trading Securities	16,906
Financial Assets at Fair Value Through Profit or Loss	-
Available for Sale Securities	582,069
Held to Maturity Securities	508,451
Interest from Financial Leases	229,782
Other Interest Income	95,783
INTEREST EXPENSE	**6,543,040**
Interest on Deposits	5,043,299
Interest on Funds Borrowed	878,431
Interest on Money Market Transactions	186,091
Interest on Securities Issued	336,432
Other Interest Expense	98,787
NET INTEREST INCOME	**6,281,158**
NET FEES AND COMMISSION INCOME /EXPENSE	**1,604,985**
Fees and Commissions Received	2,119,558
Non-Cash Loans	234,108
Other	1,885,450
Fees and Commissions Paid	514,573
Non-Cash Loans	2,710
Other	511,863
DIVIDEND INCOME	**1,230**
TRADING INCOME/LOSS (Net)	**(977,861)**
Profit / Loss on Securities Trading	(40,082)
Profit / Loss on Derivative Financial Transactions	(975,940)
Foreign Exchange Gains / Losses	38,161
OTHER OPERATING INCOME	**741,580**
TOTAL OPERATING INCOME	**7,651,092**
PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	**1,943,927**
OTHER OPERATING EXPENSES (-)	**3,215,527**
NET OPERATING PROFIT/LOSS	**2,491,638**
AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	**-**
INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD	**-**
GAIN/LOSS ON NET MONETARY POSITION	**-**
P/L BEFORE TAXES FROM CONTINUING OPERATIONS	**2,491,638**
TAX PROVISION FOR CONTINUING OPERATIONS ( )	**(589,506)**
Current Tax	(425,560)
Deferred Tax	(163,946)
NET PROFIT / LOSS FROM CONTINUING OPERATIONS	**1,902,132**
PROFIT FROM DISCONTINUED OPERATIONS	**-**
Assets Held for Sale	-
Profit on Sale of Associates, Subsidiaries and Joint Ventures	-
Other	-
LOSS FROM DISCONTINUED OPERATIONS (-)	**-**
Assets Held for Sale	-
Loss on Sale of Associates, Subsidiaries and Joint Ventures	-

INCOME AND EXPENSE ITEMS	For the year ended 31 December 2017
Other	-
P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS	**-**
TAX PROVISION FOR DISCONTINUED OPERATIONS ( )	**-**
Current Tax	-
Deferred Tax	-
NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS	**-**
NET PROFIT / LOSS	**1,902,132**
Group's Profit / Loss	1,900,758
Minority Shares	1,374
Earnings / Losses per Share (Per thousand share)	**0.57**

	For the year ended 31 December 2017
ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	**120,600**
TANGIBLE ASSETS REVALUATION DIFFERENCES	**15,921**
INTANGIBLE ASSETS REVALUATION DIFFERENCES	**-**
FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	**986,823**
PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	**616**
PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	**(961,055)**
THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	**-**
OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	**(13,703)**
DEFERRED TAXES OF VALUATION DIFFERENCES	**211,278**
NET PROFIT/LOSS ACCOUNTED UNDER EQUITY	**360,480**
CURRENT PERIOD PROFIT/LOSS	**1,902,132**
Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(48,436)
Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(300)
Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-
Other	1,950,868
TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD	**2,262,612**

Key Ratios

The following table sets out certain key ratios calculated with results, except for the matters indicated below, derived from Annual Financial Statements of the Group for the for the years ended 31 December 2019, 2018 and 2017:

	As at and for the years ended 31 December		
	2019	**2018**[8]	**2017**
		(%)	
Return on average equity[1]	7.9	15.4	16.2
Return on average assets[2]	0.6	1.2	1.3
Net interest margin[3]	4.3	4.0	4.4
Total capital adequacy ratio[4]	14.3	14.9	15.3
Cost to income ratio[5]	34.9	39.7	42.0
Free capital ratio[6]	6.3	6.7	7.7
Non-performing loan ratio[7]	7.5	4.6	3.4
Cost of risk[8]	3.7	1.9	1.4

(1) Net income for the period attributable to equity holders of the parent divided by average equity attributable to equity holders of the parent.

(2) Net income for the period attributable to equity holders of the parent divided by average total assets.

(3) Net interest income divided by average interest earning assets.

(4) Calculated in accordance with BRSA regulations, Represents total capital (Tier 1 & Tier 2) divided by total risk weighted assets.

(5) Represents operating expenses ("expenses" in BRSA financial statements) divided by total operating income before provisions and operating expenses ("income" in BRSA financial statements).

(6) Total shareholders' equity excluding non-performing loans, expected credit losses, intangible assets, tangible assets, investment property, investments in associates, subsidiaries and joint ventures and deferred and current tax assets and liabilities divided by total assets.

(7) Non-performing loans divided by gross loans and advances to customers.

(8) Represents impairment on loans and provisions for credit commitments divided by average gross loans and advances to customers. The 2017 figures taken into account for the purposes of calculating the 2018 ratio include the impact of the IFRS 9 transition on 1 January 2018.

FINANCIAL REVIEW

The following discussion contains an analysis of the consolidated results of operations of the Group as at and for the years ended 31 December 2019 and 2018 and should be read in conjunction with the Annual Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Annual Financial Statements.

References in this financial review to 2019 and 2018 are to the 12 months ended 31 December 2019 and 31 December 2018, respectively. The percentages or percentage changes in this financial review are based on the amounts reported in the Issuer's 2019 Annual Financial Statements. As a result, percentages or percentage changes stated in this financial review may not be an exact arithmetical change of the numbers stated in this financial review. As a result of rounding, the totals stated in the tables and text below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.

Overview

DenizBank is a full-service, private commercial bank operating principally in Turkey. The Issuer has grown steadily since its establishment in 1997 to become the fifth largest private bank and eighth largest bank (including state banks) in Turkey, by total assets and net income as at 31 December 2019, having been the 45th largest bank when it started its operations in 1997. Since 31 July 2019, following the completion of the transfer of shares from the Sberbank to Emirates NBD, the Issuer has been a subsidiary of Emirates NBD. Emirates NBD, together with its subsidiaries and associate companies, is one of the leading full-service banks in the UAE and also has branches or representative offices throughout the Middle East and around the world. As at 31 December 2019, Emirates NBD owned 100.00% of the outstanding share capital of DenizBank. See "*Share Capital and Ownership – Ownership*."

In line with its strategy of enhancing its services to its customers, particularly in the Wholesale (comprising Commercial, Corporate and Project Finance segments) and Retail (comprising Consumer, Agricultural and SME segments), the Issuer has significantly expanded its service network, growing from 400 branches as at 31 December 2008, to 751 branches as at 31 December 2019, which include 574 retail branches and small and medium-sized enterprise (**SME**) branches, 3 corporate centres, 21 commercial centres, 103 "Green Drop" agricultural centres, 17 private banking service points and 6 other branches (two mobile, one free zone, one internet, one custody, and one in Bahrain), as well as 14 regional offices. As at 31 December 2019, the Issuer's branch network covered 81 cities and 100% of the total population of Turkey. The Issuer had a total of 13.7 million customers as at 31 December 2019. The Issuer also provides international banking services to its customers through three subsidiaries located in Austria and Germany (through DenizBank AG's 43 branches) as well as the Russian Federation, the Turkish Republic of Northern Cyprus and Bahrain. In addition to its traditional delivery channels, the Issuer offers customer services through ATMs, internet banking, mobile banking, fastPay, API, Contact Centre, SMS Banking, 24-hour telephone banking, point of sale (**POS**) machines and kiosks. As at 31 December 2019, the Issuer had 3,029 ATMs and 132,860 POS machines. Its alternative distribution, non-branch channels handled approximately 87% of the Issuer's banking services (including cash withdrawals) during the year ended 31 December 2019, an increase from 85% for the year ended 31 December 2018.

As of 31 December 2019, the Issuer had total assets of TL 217,314,073 thousand as compared to TL 197,311,436 thousand as of 31 December 2018, an increase of 10.14%. The Issuer's net profit for the year ended 31 December 2019 was TL 1,308,316 thousand as compared to TL 2,204,088 thousand for the year ended 31 December 2018, a decrease of 40.64%. The Issuer's total liabilities (excluding equity) as of 31 December 2019 were TL 199,565,161 thousand as compared to TL 181,806,166 thousand as of 31 December 2018, an increase of 9.77%.

As of the date of this Base Prospectus, the Issuer has been assigned a long term foreign currency issuer default rating of B+ by Fitch and a long term foreign currency deposit rating of B3 by Moody's.

Market Capitalisation

Period	Market capitalisation
	(TL, billions)
31 December 2019[(1)]	69,240
31 December 2018	63,338

(1) As per the provisions of the Squeeze-out and Sellout Communiqué numbered II-27.2 of Capital Markets Board (CMB), the shares were closed to trading as of 14 November 2019, so the figure is calculated according to the closing price of the relevant date.

Significant Factors Affecting Results of Operations

The Issuer believes that the following factors have had an impact on its results of operations and revenues during the periods under review:

Turkish economy

As of 31 December 2019, the majority of the Issuer's total assets and operations were in Turkey. As a result, the Issuer's business, results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the Turkish economic growth rate, the rate of inflation and fluctuations in exchange and interest rates. In addition, because the Issuer is reliant on deposits from retail customers for a significant portion of its funding (retail deposits represented 61% of total deposits as of 31 December 2019 and agricultural and SME deposits represented a further 16%) and because the Issuer generates a significant amount of its net income from retail customers, the Issuer's performance is affected by changes in wages, consumer spending and GDP growth generally. Turkey grew 0.9% as a whole for 2019.

Interest rates

One of the primary factors affecting the Issuer's profitability is the level of fluctuations in interest rates in Turkey, which in turn influences the Issuer's net interest income due to the maturity mismatch on its loans and deposits. Since the Group's interest-bearing liabilities (principally borrowings and customer deposits) generally reprice faster than its interest-earning assets (primarily loans and advances to customers), any change in the interest rates in the Turkish economy is reflected in the interest rates of its liabilities before it is reflected in the interest rates of its assets. Therefore, when interest rates fall, the Group is positively affected in total, (despite a negative impact potential in case of a significant decrease, which will trigger prepayment of fixed rate loans with higher interest margin).

Conversely, when interest rates increase, the Group's interest margin is negatively affected, as higher interest rates on its interest-bearing liabilities will start to be paid faster than the interest rates of earning assets will be repriced.

In 2019 there were many changes in Turkey's interest rate environment. On 6 July 2019, the Governor of the Central Bank of Turkey was replaced and shortly thereafter, on 25 July 2019, the Central Bank cut interest rates by 425 bps. Subsequently, the Central Bank of Turkey continued its rate-cutting cycle and cut the one-week repo rate by 325 bps to 16.50% in September 2019, by 250 bps to 14.00% in October 2019, by 200 bps to 12.00% in December 2019, by 75 bps to 11.25% in January 2020, by 50 bps to 10.75% in February 2020, by 100 bps to 9.75% in March 2020, and finally by 100 bps to 8.75% in April 2020.

Exchange rates

A significant portion of the Issuer's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euros 57.6% of total assets and 60.4% of total liabilities as of 31 December 2019). While the Issuer is likely to close the gaps between the balances of its foreign currency assets and liabilities, it manages the risk within the open position limits set internally and by the BRSA and may have minimal gaps between the balances of its foreign currency assets and liabilities. As the Issuer translates such assets and liabilities and interest earned from and paid on those assets and liabilities into local currency (Turkish Lira), the effect of the change in the exchange rates on the Issuer's income statement is minimal. During the year ended 31 December 2019, the Turkish Lira depreciated against both the U.S. Dollar and the Euro as compared to 31 December 2018. With respect to the U.S. Dollar, the Turkish Lira depreciated to TL 5.9400 per U.S. dollar as of 31 December 2019 as compared to TL 5.2810 as of 31 December 2018. With respect to

the Euro, the Turkish Lira depreciated to TL 6.6621 per Euro as of 31 December 2019 as compared to TL 6.0422 as of 31 December 2018.

Changes to Significant Accounting Policies

There have been changes to certain accounting policies of the Issuer which have had an impact on the way it values its assets and liabilities and, as a result, impacted its results of operations. Some of these are set out below.

Adoption of TFRS 9 'Financial Instruments'

The Group has adopted TFRS 9 with effect from 1 January 2018, which sets out the principles for the classification, measurement and presentation of financial instruments. The standard defines the requirements for recognition and derecognition of financial instruments, classification of financial instruments based on certain criteria, including the business model of the entity and cash flow characteristics of the instruments, calculation of the expected credit losses for financial assets, and the treatment of hedge accounting in the financial statements.

In accordance with the transition rules of TFRS 9, the Group's 2017 financials and notes have not been restated in the Group's 2018 financial statements and are presented separately.

Accounting policies and valuation principles used for the years 2018 and 2017 are separately presented in the notes and the accounting policies for the year 2017 and are included in Section three Note XXV (*Explanations on prior period accounting policies not valid for the current period*), and impacts of transition to TFRS 9 and its adoption is disclosed in Section three Note XXIV (*Explanations on TFRS 9 financial instruments standard*) to the 2018 Annual Financial Statements.

Adoption of TFRS 16 'Leases'

The Group has adopted TFRS 16 with effect from 1 January 2019, which sets out the principles for the recognition, presentation and disclosure of leases. The standard requires lessees to account for all leases under a single, on-balance sheet model. As of 31 December 2019, the net right of use assets in the consolidated financial statements is TL 565,353 thousand and the net lease liability is TL 618,602 thousand.

For further information, please see Note XXVI (*Explanations on TFRS 16 Leases standard*) to the 2019 Annual Financial Statements.

Results of Operations

Business Segments

The Group operates in four main areas: wholesale banking, SME and agricultural banking, retail banking and treasury. A breakdown of the financial performance of each business segment for the years ended 31 December 2019 and 31 December 2018 is provided below.

Year ended 31 December 2019	**Wholesale Banking**	**SME & Agricultural Banking**	**Retail Banking**	**Treasury & Other**	**Total**
			(TL, thousands)		
Net interest income	2,183,594	2,062,355	1,768,797	2,379,997	**8,394,743**
Net fees and commission income	504,415	1,823,209	1,459,380	(40,961)	**3,746,043**
Other income/loss, net	362,647	246,376	59,098	(585,891)	**82,230**
Total segment income	**3,050,656**	**4,131,940**	**3,287,275**	**1,753,145**	**12,223,016**
Other operational expenses (*)	(706,591)	(1,446,309)	(1,959,315)	(156,235)	**(4,268,450)**
Provisions for expected loss and other provisions	(3,701,858)	(1,693,691)	(696,495)	(147,105)	**(6,239,149)**
Taxation					**(407,101)**
Net profit from continuing operations	**(1,357,793)**	**991,940**	**631,465**	**1,449,805**	**1,308,316**
Net profit from discontinued operations					--
Net profit for the period	**(1,357,793)**	**991,940**	**631,465**	**1,449,805**	**1,308,316**
Year ended 31 December 2019					
Segment assets	80,581,414	40,588,749	21,614,541	66,750,803	**209,535,507**
Subsidiaries and associates					**762,204**

Undistributed assets					**7,016,362**
Total assets					**217,314,073**
Segment liabilities	35,810,866	25,489,200	94,338,369	32,826,454	**188,464,889**
Undistributed liabilities					**11,100,272**
Equity					**17,748,912**
Total liabilities and shareholders' equity					**217,314,073**

(*) It also includes personnel expenses

Year ended 31 December 2018	**Wholesale Banking**	**SME & Agricultural Banking**	**Retail Banking**	**Treasury & Other**	**Total**
			(TL, thousands)		
Net interest income	2,001,994	1,898,727	1,403,567	1,730,618	**7,034,906**
Net fees and commission income	248,869	1,001,408	1,014,966	(36,856)	**2,228,387**
Other income/loss, net	538,577	385,745	217,928	(1,121,122)	**21,128**
Total segment income	**2,789,440**	**3,285,880**	**2,636,461**	**572,640**	**9,284,421**
Other operational expenses (*)	(677,019)	(1,299,698)	(1,596,303)	(113,540)	**(3,686,560)**
Provisions for expected loss and other provisions	(1,224,684)	(935,850)	(497,895)	(240,148)	**(2,898,577)**
Taxation					**(495,196)**
Net profit from continuing operations	**887,737**	**1,050,332**	**542,263**	**218,952**	**2,204,088**
Net profit from discontinued operations					**-**
Net profit for the period	**887,737**	**1,050,332**	**542,263**	**218,952**	**2,204,088**
Year ended 31 December 2018					
Segment assets	79,365,495	39,664,022	20,027,087	51,092,317	**190,148,921**
Subsidiaries and associates					**806,501**
Undistributed assets					**6,356,014**
Total assets					**197,311,436**
Segment liabilities	30,017,496	21,073,032	86,722,662	33,163,583	**170,976,773**
Undistributed liabilities					**10,829,393**
Equity					**15,505,270**
Total liabilities and shareholders' equity					**197,311,436**

(*) It also includes personnel expenses

For the year ended 31 December 2019, Wholesale Banking recorded a net loss of TL1,357,793 thousand as compared to a net profit of TL 887,737 thousand for the year ended 31 December 2018.

While Wholesale Banking's operational income increased by 9.4% as compared to the year ended 31 December 2018, an increase in provisioning on stage 2 and 3 wholesale loans from TL 1,224,684 thousand to TL 3,701,858 thousand has resulted in a net loss for Wholesale Banking. As of 31 December 2019, Wholesale Banking had assets of TL 80,581,414 thousand as compared to TL 79,365,495 thousand as of 31 December 2018, an increase of 1.53%, which also reflected the decrease in Wholesale Banking's total loans, given the depreciation of the Turkish lira vis-à-vis the U.S. dollar and Euro of 12.5% and 10.3%, respectively, as the majority of Wholesale Banking's loans are foreign-currency denominated. As of 31 December 2019, Wholesale Banking had liabilities of TL 35,810,866 thousand as compared to TL 30,017,496 thousand as of 31 December 2018, an increase of 19.30%.

For the year ended 31 December 2019, SME & Agricultural Banking recorded net profit of TL 991,940 thousand as compared to a net profit of 1,050,332 thousand, a decrease of 5.56%.

Gross operating income increased by 25.7% in the year ended 31 December 2019, as compared to the prior year, which increase was due in part to the increase in commission income of 82.1%. However, the increased Stage 2 and 3 loan portfolio in 2019 and increased provisioning resulted in a decrease of net profit. As of 31 December 2019, SME & Agricultural Banking had assets of TL 40,588,749 thousand as compared to TL 39,664,022 thousand as of 31 December 2018, an increase of 2.33%, which was similar to the performance

for the year ended 31 December 2017 when loan activity in the sector decreased with the slowdown in the economy. As of 31 December 2019, SME & Agricultural Banking had liabilities of TL 25,489,200 thousand as compared to TL 21,073,032 thousand as of 31 December 2018, an increase of 20.96% particularly due to an increase in SME deposits.

For the year ended 31 December 2019, Retail Banking recorded net profit of TL 631,465 thousand as compared to a net profit of TL 542,263 thousand, an increase of 16.45%.

Gross operating income increased by 24.7% for the year ended 31 December 2019, as compared to the prior year, which increase was due in part to the increase in commission income of 43.8% due to the role of an increased network and customer base in creating non-risk income. As of 31 December 2019, Retail Banking had assets of TL 21,614,541 thousand as compared to TL 20,027,087 thousand as of 31 December 2018, an increase of 7.93% due in part to an increase in general purpose and card loans. As of 31 December 2019, Retail Banking had liabilities of TL 94,338,369 thousand as compared to TL 86,722,662 thousand as of 31 December 2018, an increase of 8.78% which was similar to the percentage growth in deposits.

For the year ended 31 December 2019, Treasury & Other recorded net profit of TL 1,449,805 thousand as compared to a net profit of TL 218,952 thousand, an increase of 562.16%. This increase was primarily due to the fast fall in funding rates with an average maturity of up to two months as compared to Treasury & Other's loan portfolio, which resulted in increased net interest income. As of 31 December 2019, Treasury & Other had assets of TL 66,750,803 thousand as compared to TL 51,092,317 thousand as of 31 December 2018, a decrease of 30.65%. As of 31 December 2019, Treasury & Other had liabilities of TL 32,826,454 thousand as compared to TL 33,163,583 thousand as of 31 December 2018, a decrease of 1.02%.

Income Statement Data

The following table sets out selected data from the Issuer's consolidated statement of profit or loss for the years ended 31 December 2019 and 31 December 2018.

	For the year ended 31 December		Change
	2019	2018	2018-19
	(TL, thousands)		*(%)*
Consolidated statement of profit or loss data			
Net interest income	8,394,743	7,034,906	19.33%
Net fees and commissions income/expenses	3,746,043	2,228,387	68.11%
Gross profit from operating activities	12,223,016	9,284,421	31.65%
Expected credit losses	6,061,063	2,665,250	127.41%
Other operating expenses	2,372,590	2,099,651	13.00%
Net operating profit	1,715,417	2,699,284	(36.45)%
Net profit	1,308,316	2,204,088	(40.64)%
Total comprehensive income/(loss)	2,240,869	2,409,000	(6.98)%

For the year ended 31 December 2019, the Issuer's net interest income increased by 19.33% to TL 8,394,743 thousand as compared to TL 7,034,906 thousand for the year ended 31 December 2018. Aside from the increase in volume of interest-earning assets and interest-bearing liabilities, this increase was primarily due to decrease in overall interest rates in the sector, which affected the funding side earlier than the assets due to duration effect, which had a positive effect on the Issuer's net interest income. During 2019, the Issuer concentrated on increasing its net fees and commissions income, reaching TL 3,746,043 thousand for the year ended 31 December 2019, a 68.11% increase as compared to the year ended 31 December 2018. Net fees and commissions income comprises 31% of the total revenues of the Issuer (sector average is 18%) and it covers 88% of the operating expenses (sector average is 50%) for the year ended 31 December 2019. However, the Issuer's expected credit losses increased as well to TL 6,061,063 thousand for the year ended 31 December 2019 as compared to TL 2,665,250 thousand for the year ended 31 December 2018, an increase of 127.41%. This was primarily in line with the general slowdown in the economic environment and the change of ownership in 2019. In addition, the Issuer adopted a more prudent loan provisioning policy which led to the increase in expected credit losses. The Issuer registered a decrease in its net profit for the year ended 31 December 2019 of 40.64%, as net profit dropped to TL 1,308,316 thousand from TL

2,204,088 thousand for the year ended 31 December 2018. This was primarily due to the increase in expected credit losses.

Net Interest Income

The following table sets out the composition of the Issuer's net interest income for the years ended 31 December 2019 and 31 December 2018.

	For the year ended 31 December		Change
	2019	**2018**	**2018-19**
	(TL, thousands)		*(%)*
Interest income	20,042,379	17,876,835	12.11%
Interest expenses	11,647,636	10,841,929	7.43%
Net interest income	8,394,743	7,034,906	19.33%

The Issuer's interest income increased to 20,042,379 thousand for the year ended 31 December 2019 as compared to TL 17,876,835 as of 31 December 2018, an increase of 12.11%. This was primarily due to the increase in the volume of loans and securities in 2019 despite the decrease in interest rates. The Issuer's interest expenses increased as well for the year ended 31 December 2019, growing to TL 11,647,636 thousand from TL 10,841,929 thousand as of 31 December 2018, an increase of 7.43%. This was primarily due to the increase in deposits volume, despite the decrease in interest rates. For the year ended 31 December 2019, the Issuer's net interest income increased by 19.33% to TL 8,394,743 thousand as compared to TL 7,034,906 thousand for the year ended 31 December 2018.

Gross Profit from Operating Activities

The following table sets out the composition of the Issuer's gross profit from operating activities for the years ended 31 December 2019 and 31 December 2018.

	For the year ended 31 December		Change
	2019	**2018**	**2018-19**
	(TL, thousands)		*(%)*
Net interest income	8,394,743	7,034,906	19.33%
Net fees and commissions income/expenses	3,746,043	2,228,387	68.11%
Dividend income	4,871	2,432	100.29%
Trading profit/loss (net)	(335,785)	(430,271)	(21.96)%
Other operating income	413,144	448,967	(7.98)%
Gross profit from operating activities	12,223,016	9,284,421	31.65%

The Issuer's net fees and commissions income increased by 68.11% for the year ended 31 December 2019, growing to TL 3,746,043 thousand from TL 2,228,387 thousand as of 31 December 2018. This was primarily due to the positive effects of the Issuer's increased network and customer base, as well as the Issuer's concentration on fee generation. Overall, the Issuer's gross profit from operating activities grew to TL 12,223,016 thousand as of 31 December 2019, as compared to TL 9,284,421 thousand as of 31 December 2018, an increase of 31.65%. This was primarily due to increases in net interest income and net fees and commissions income.

Net Operating Profit/Loss

The following table sets out the composition of the Issuer's net operating profit/loss for the years ended 31 December 2019 and 31 December 2018.

	For the year ended 31 December		Change
	2019	2018	2018-19
	(TL, thousands)		*(%)*
Gross profit from operating activities	12,223,016	9,284,421	31.65%
Expected credit losses (-)	6,061,063	2,665,250	127.41%
Other provision expenses (-)	178,086	233,327	(23.68)%
Personnel expenses (-)	1,895,860	1,586,909	19.47%
Other operating expenses (-)	2,372,590	2,099,651	13.00%
Net operating profit/loss	1,715,417	2,699,284	(36.45)%

The Issuer's expected credit losses increased to TL 6,061,063 thousand for the year ended 31 December 2019 as compared to TL 2,665,250 thousand for the year ended 31 December 2018, an increase of 127.41%. This was in line with the general slowdown in the economic environment and the change of ownership in 2019. In addition, the Issuer adopted a more prudent loan provisioning policy which led to the increase in expected credit losses. The Issuer's personnel expenses increased for the year ended 31 December 2019 to TL 1,895,860 thousand as compared to TL 1,586,909 thousand as of 31 December 2018. This was due to a 4% increase in the Issuer's number of employees in 2019 and the effect of inflation on wages and salaries. The Issuer's other operating expenses also increased for the year ended 31 December 2019 to TL 2,372,590 thousand as compared to TL 2,099,651 thousand as of 31 December 2018, an increase of 13.0%, mainly reflecting the effect of the inflation. Overall, the Issuer's net operating profit decreased to TL 1,715,417 thousand as of 31 December 2019 as compared to TL 2,699,284 thousand as of 31 December 2018, a decrease of 36.45%. This was primarily due to increased expected credit losses due to the Issuer's adoption of a more prudent approach in calculation of the provisions, which was partially offset by increased gross profit from operating activities.

Consolidated Statement of Financial Position Data

The following table sets out selected data from the Issuer's consolidated statement of financial position as of 31 December 2019 and 31 December 2018.

	For the year ended 31 December		Change
	2019	2018	2018-19
Consolidated statement of financial position (balance sheet)	*(TL, thousands)*		*(%)*
Total assets	217,314,073	197,311,436	10.14%
Total liabilities (excluding equity)	199,565,161	181,806,166	9.77%
Shareholders' equity	17,748,912	15,505,270	14.47%

As of 31 December 2019, the Issuer had total assets of TL 217,314,073 thousand as compared to TL 197,311,436 thousand as of 31 December 2018, an increase of 10.14%. This was primarily due to increases in gross loans, cash and balances at the Turkish Central Bank and increases in financial assets at fair value through other comprehensive income. The Issuer's total liabilities as of 31 December 2019 were TL 199,565,161 thousand as compared to TL 181,806,166 thousand as of 31 December 2018, an increase of 9.77%, which was primarily due to an increase in customer deposits.

Total Assets

The following table sets out the composition of the Issuer's total assets as of 31 December 2019 and 31 December 2018.

	As of 31 December		Change
	2019	2018	2018-19
	(TL, thousands)		*(%)*
Financial assets (net)	59,977,701	45,177,250	32.76%
Financial assets measured at amortised cost (net)	149,557,806	144,971,671	3.16%
Investments in associates, subsidiaries and joint ventures	762,204	806,501	(5.49)%
Tangible assets (net)	1,652,166	881,784	87.37%
Intangible assets (net)	339,978	271,191	25.36%
Investment property (net)	218,680	202,001	8.26%
Current tax assets	318,652	9,539	3,240.52%
Deferred tax assets	1,045,345	1,213,623	(13.87)%
Other assets (net)	3,441,541	3,777,876	(8.90)%
Total assets	217,314,073	197,311,436	10.14%

As of 31 December 2019, the Issuer's financial assets were TL 59,977,701 thousand as compared to TL 45,177,250 thousand as of 31 December 2018, an increase of 32.76%. This was primarily due to increases in cash and balances at the Turkish Central Bank and increases in financial assets at fair value through other comprehensive income. As of 31 December 2019, the Issuer's financial assets measured at amortised cost were TL 149,557,806 thousand as compared to 144,971,671 thousand as of 31 December 2018, an increase of 3.16%. This was primarily due to an increase in the Issuer's loan portfolio. As of 31 December 2019, the Issuer's tangible assets were TL 1,652,166 thousand as compared to TL 881,784 thousand, an increase of 87.37%, which is arising from the application of TFRS 16 in 2019 as well as from purchases within the ordinary course of business. As of 31 December 2019, the Issuer had total assets of TL 217,314,073 thousand as compared to TL 197,311,436 thousand as of 31 December 2018, an increase of 10.14%. This was primarily due to growth in financial assets, particularly the Issuer's loan portfolio, cash and balances at the Turkish Central Bank, and increases in financial assets at fair value through other comprehensive income.

Total Liabilities

The following table sets out the composition of the Issuer's total liabilities as of 31 December 2019 and 31 December 2018.

	As of 31 December		Change
	2019	2018	2018-19
	(TL, thousands)		*(%)*
Deposits	158,209,184	139,941,476	13.05%
Funds borrowed	15,187,428	16,362,160	(7.18)%
Due to money markets	459,048	1,415,797	(67.58)%
Securities issued (net)	4,214,773	3,987,859	5.69%
Derivative financial liabilities	880,875	2,049,863	(57.03)%
Lease payables (net)	618,602	-	-
Provisions	1,857,726	945,168	96.55%
Current tax liabilities	335,068	362,949	(7.68)%
Deferred tax liabilities	82,099	25,828	217.87%
Subordinated debt	7,037,253	6,274,450	12.16%
Other liabilities	10,683,105	10,440,616	2.32%
Total liabilities	199,565,161	181,806,166	9.77%

As of 31 December 2019, the Issuer's deposits were TL 158,209,184 thousand as compared to TL 139,941,476 thousand as of 31 December 2018, an increase of 13.05%. This was primarily due to an increase in customer deposits. As of 31 December 2019, the Issuer's funds borrowed were TL 15,187,428 thousand as compared to TL 16,362,160 thousand, a decrease of 7.18%. This was primarily due to a funding preference that gave way to a shift from bank borrowings to customer deposits as a result of cost advantages. As of 31 December 2019, the Issuer's liability, "Due to money markets", which consists of borrowings from the interbank money market and repurchase transactions, both of which are short-term in nature, was TL 459,048 thousand as compared to TL 1,415,797 thousand as of 31 December 2018, a decrease of 67.58%. This was primarily due to funding preferences. As of 31 December 2019, the Issuer's provisions were TL 1,857,726 thousand as compared to TL 945,168 thousand as of 31 December 2018, an increase of 96.55%. This was primarily due to an increase in expected credit losses for non-cash loans, reserves for employee benefits, and provisions for operational losses. The Issuer's total liabilities as of 31 December 2019 were TL 199,565,161 thousand as compared to TL 181,806,166 thousand as of 31 December 2018, an increase of 9.77%. This was primarily due to an increase in customer deposits.

Cash Flows Data

The following table sets out selected data from the Issuer's consolidated statement of cash flows for the years ended 31 December 2019 and 31 December 2018.

	For the year ended 31 December	
	2019	2018
	(TL, thousands)	
Consolidated statement of cash flows		
Net cash provided from banking operations	8,051,777	11,852,934
Net cash provided from investing activities	(5,351,377)	(701,521)
Net cash flows from financing activities	3,050,406	(4,024,514)
Effect of change in foreign exchange rate on cash and cash equivalents	2,578,740	3,695,321
Net increase in cash and cash equivalents	8,329,546	10,822,220
Cash and cash equivalents at beginning of the period	27,458,248	16,636,028
Cash and cash equivalents at the end of the period	35,787,794	27,458,248

Net cash provided from banking operations decreased to TL 8,051,777 thousand for the year ended 31 December 2019 as compared to TL 11,852,934 thousand for the year ended 31 December 2018. This was primarily due to an increase in reserves at the Turkish Central Bank. Net cash provided from investing activities decreased to a cash outflow of TL 5,351,377 thousand for the year ended 31 December 2019 as compared to a cash outflow of TL 701,521 thousand for the year ended 31 December 2018. This was primarily due to purchases of financial assets at fair value through other comprehensive income. Net cash flows from financing activities improved to a cash inflow of TL 3,050,406 thousand for the year ended 31 December 2019 as compared to a cash outflow of TL 4,024,514 thousand for the year ended 31 December 2018. This was primarily due to a syndication loan obtained in 2019 as well as the issuance of new debt through securities.

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking market has been provided for background purposes only. The information has been extracted from third party sources that the Issuer believes to be reliable but the Issuer has not independently verified such information.

The data provided in this section has been derived from information of the Banks Association of Turkey. As of the date of this Base Prospectus, data as of 30 September 2018, 31 December 2018, 31 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 were available.

As at 31 December 2019, 46 banks were operating in Turkey (excluding a bank under the administration of the SDIF and six participation banks). Three of these banks were State-owned banks, nine were privately owned deposit banks, 21 were foreign banks (including branches of foreign banks), and 13 were domestic development and investment banks (four of which having foreign shareholding). There were also six participation banks in Turkey, which conducted their business under the relevant legislation in accordance with Islamic banking principles.

The former Banks Act was replaced by the Banking Law on 1 November 2005 and the secondary Turkish banking legislation has changed substantially between 2005 and 2017. The Banking Law permits commercial banks to engage in all fields of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds) and financial leasing activities.

The Turkish banking system has become increasingly competitive over the last decade. The expansion of the Turkish banking sector was initially fuelled by economic growth and the liberalisation of the economy and went through a rapid and significant consolidation as many banks with weaker financial standing were taken over by the SDIF and removed from the sector. The Government has also contributed to structural improvements in the banking system through various regulatory arrangements, including standardised accounting practices, external auditing, higher capital adequacy standards, stricter treatment of non-performing credits and the proposed phasing out of deposit insurance. The objective of these regulatory changes has been to strengthen the banking sector and to increase the transparency and overall efficiency of the Turkish banking sector.

Following the financial crisis in 2001, the BRSA started to intervene actively in the banking sector. The BRSA is an autonomous and independent body and is the sole regulatory and supervisory authority for the Turkish banking system. The BRSA required privately-owned commercial banks that had the authority to accept deposits to undergo a three-tier audit process in 2001, which was strictly monitored by the BRSA. The three-tier audit process was then by far the most comprehensive audit completed on Turkish banks, comprising a full audit by two independent auditors as well as BRSA auditors. A detailed analysis of each bank's cash flows was undertaken, with a significant proportion of its credits being evaluated and an aggressive position taken on classifying credits as non-performing. The most conservative of the three audit reports was then delivered to the BRSA to enable it to evaluate each bank's financial position. This process was completed by mid-2002. Moreover, in line with the regulations of the former Banks Act, banks established risk management departments reporting directly to their respective boards of directors. Accordingly, since 2002 risks taken by Turkish banks in terms of market, credit and operations are required to be calculated and monitored by these risk management departments.

The following table sets out certain statistical information for the Turkish banking sector as of 30 September 2019 under bank-only BRSA reporting standards. Branch and employee numbers are as at 31 December 2019, taken from The Banks Association of Turkey:

	State-owned banks	Privately owned banks	Foreign banks	Development and investment banks	Total
			(TL, millions)		
Total assets	**1,448,573**	**1,330,900**	**939,123**	**289,206**	**4,007,803**
Total loans, net	1,110,959	811,093	583,966	221,086	2,627,104
Total deposits	917,185	805,908	575,863	—	2,298,955

	State-owned banks	Privately owned banks	Foreign banks	Development and investment banks	Total
			(TL, millions)		
Total equity	125,843	162,527	114,463	42,051	444,884
Net income	6,290	12,218	11,409	4,263	34,180
Number of branches	3,707	3,785	2,644	62	10,198
Number of employees	60,365	69,071	54,000	5,178	188,614
Number of banks	3	9	21	13	46

Source: The Banks Association of Turkey
Note: Banks controlled by the SDIF and participation banks are not included in these figures.

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, Ziraat Bank, Vakıfbank and Halkbank, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full service banks and corporate/trade finance oriented banks. The four largest private commercial banks are Türkiye İş Bankası, Türkiye Garanti Bankası, Akbank, and the Bank. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

Since 2005, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. For example, BNP Paribas acquired 50.0% of the shares of TEB Mali Yatırımlar A.Ş, which owns 84.3% of the shares of TEB A.Ş, in February 2005. In September 2005, Koç Finansal Hizmetler A.Ş, 50.0% of which is owned by UniCredito Italiano, acquired 57.4% of Yapı ve Kredi Bankası A.Ş. In July 2005, Fortis Bank acquired 89.3% of Türk Dış Ticaret Bankası A.Ş. Also in July 2005, Rabobank agreed to purchase 51% of Şekerbank. In August 2005, General Electric Financial Services purchased 25.5% of Garanti Bankası. In September 2005, Bank Hapoalim BM acquired Bank Pozitif ve Kalkınma Bankası for U.S.$113.0 million. In May 2006, Tekfenbank was acquired by EFG Eurobank Ergasias S.A. for U.S.$182.0 million. In June 2006, TuranAlem Securities of Kazakhstan, a wholly owned subsidiary of BTA Bank, acquired 34.0% of Şekerbank's shares. NBG acquired from Fiba Holding and affiliates a 46.0% stake in the ordinary shares of Finansbank and 100% of the founder shares for a total consideration of U.S.$2.8 billion in August 2006. In January 2007, NBG acquired a further 43.4% of Finansbank's publicly held outstanding ordinary shares. Denizbank was acquired in October 2006 from Zorlu Group by Dexia for U.S.$2.4 billion. On January 2007, Citi Group acquired a 20% equity stake in Akbank. On July 2007, Turkishbank was acquired by National Bank of Kuwait for U.S.$160 million. ING acquired Oyakbank for U.S.$2.7 billion in 2007. On November 2010, General Electric Co. agreed to sell its 18.6% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for U.S.$3.8 billion, and Doğuş Holding A.Ş. agreed to sell its 6.3% stake in the bank for U.S.$2 billion. In December 2010, Credit Europe Bank N.V. acquired a 95% stake in Turkey based Millennium Bank A.Ş, a subsidiary of Banco Comercial Portugues SA (BCP), for a total adjusted price of EUR58.9 million and later amended its corporate title to Fibabanka A.Ş. In June 2010, Türk Ekonomi Bankası 's main partners announced their agreement to merge with Fortis Bank under the auspices of Türk Ekonomi Bankası. The merger was completed in March 2011. On 28 September 2012, Dexia sold and transferred the totality of its shareholding in Denizbank, amounting to 99.85%, to Sberbank of Russia for a total price of U.S.$3.6 billion, as subject to certain closing adjustment mechanisms. On 26 December 2014, the BRSA approved the transfer of majority stake in Taib Yatırım Bankası to Azeri Pasha Bank OJSC, the trade name of the bank was changed into Pasha Yatirim Bankası A.Ş. following the transfer.

On 27 October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, namely Odea Bank A.Ş., and the operation permit for this new deposit bank was granted on 28 September 2012. This approval and operation permit granted by the BRSA is the first authorisation granted to establish a "deposit bank" since 1997.

Similarly, the BRSA granted to MUFG Bank Turkey A.Ş. (formerly Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.) an incorporation permit as of 22 December 2012 and an operation permit as of 19 September 2013. The BRSA also granted to Intesa Sanpaolo S.p.A. Central Branch an incorporation permit as of May 2013

and an operation permit as of 4 July 2014. Rabobank obtained its incorporation permit from the BRSA as of 3 August 2013 and an operating permit as of 9 September 2014.

On 6 December 2012, the majority stake in Eurobank Tekfen A.Ş. was transferred to Burgan Bank S.A.K. headquartered in Kuwait. The trade name of Eurobank Tekfen A.Ş. was changed to Burgan Bank A.Ş. as of 28 January 2013. On 1 July 2013, the majority stake in Alternatifbank was transferred from Anadolu Group to Commercial Bank of Qatar. Similarly GSD Holding entered into an agreement to transfer its majority stake held in Tekstilbank to Industrial and Commercial Bank of China in May 2014. The transfer was completed on 22 May 2015, leading the Industrial and Commercial Bank of China to acquire 75.5% issued shares in Tekstilbank from GSD Holding. In May 2015 and February 2016, the BRSA granted permission to Ziraat Katılım Bankası A.Ş. and Vakıf Katılım Bankası A.Ş., respectively, for each to start their operations as a participation bank. The acquisition of 99.84% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively, and on 15 June 2016, the acquisition was completed. In May 2016, the BRSA granted the Bank of China Limited an incorporation license to open a deposit-taking bank in Turkey. A private participation bank, namely Bank Asya, the management of which was taken over by the SDIF on 3 February 2015, lost its operating permit by the BRSA resolution dated 22 July 2016 and numbered 6947, and its liquidation proceedings were started in 2017. In March 2017, Doğuş Holding A.Ş. sold its further 9.95% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for EUR859 million, and consequently Banco Bilbao Vizcaya Argentaria S.A. increased its shareholding in Garanti Bank to 49.85%. In May 2018, Emirates NBD Bank PJSC (ENBD) entered into a definitive agreement to buy 99.85% of Denizbank from its parent Sberbank and on 27 June 2019, the BRSA granted its permission to the acquisition. On 26 February 2019, the BRSA granted permission to Türkiye Emlak Katılım Bankası A.Ş. for it to start its operations as a participation bank, whose shares are 99.99% owned by the Ministry of Treasury and Finance.

Development banks are funded by the State, international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept deposits.

State-owned Banks

As of the date of this Base Prospectus, there were three State-owned banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives. The following table sets out the three state-owned commercial banks in Turkey, ranked by size of assets as at 30 September 2019 under bank-only BRSA reporting standards, and number of branches as at 31 December 2019:

	Specialisation	Total assets	Number of branches
		(TL, millions)	
Bank			
T.C. Ziraat Bankası	Agriculture	618,228	1,758
Türkiye Halk Bankası	Retail	443,499	1,006
Türkiye Vakıflar Bankası	General	386,845	943

Source: The Banks Association of Turkey.

According to the Banks Association of Turkey, total loans provided by these banks as of 30 September 2019 were TL 1,488,573 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost efficient funding sources.

Banks under the Control of the SDIF

Following financial crises in 2001 and 2002, 19 private commercial banks were taken under the control of the SDIF. These banks have either been liquidated or sold to other domestic and international banks. As at 30 June 2019, Birleşik Fon Bankası A.Ş., with total assets of TL 3.3 billion and Adabank A.Ş., with total assets of TL 58 million, were under the supervision and administration of the SDIF. Birlesik Fon Bankası has been incorporated by the SDIF by merging the assets of Egebank A.Ş, Etibank A.Ş., İktisat Bankası T.A.Ş, Kentbank A.Ş and Toprakbank A.Ş. into Bayındırbank A.Ş and by converting the latter into Birleşik Fon Bankası A.Ş. On 3 February 2015, the SDIF took over management of Bank Asya, a private participation bank. The BRSA announced that this action was taken due to Bank Asya's violation of a provision of the

Banking Law that requires banks to have a transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the banks by the BRSA. On 29 May 2015, the BRSA announced that shareholding rights (except dividends), management and audit of Bank Asya is to be transferred to the SDIF for partial or full transfer, sale or merger of the bank pursuant to Article 71 of the Banking Law; **provided that** the loss shall be deducted from the shares of the existing shareholders. In May 2016, the Chairman of the BRSA announced that the SDIF will sell Bank Asya. Pursuant to the BRSA's resolution dated 22 July 2016 and numbered 6947, the operating permit of Bank Asya was revoked. On 16 November 2017, the Istanbul First Commercial Court of First Instance ruled on the bankruptcy of Bank Asya.

A continued environment of decreasing inflation, declines in yields on trading in Government securities and a reduction in the coverage of the SDIF could contribute to a higher level of calls on SDIF insurance and further consolidation in the banking sector.

Private Sector Commercial Banks

Private sector commercial banks can be divided into large branch network commercial banks and small branch network commercial banks. The larger private sector banks emerged in the 1940s and their branch networks cover the entire country. Most private sector banks belong to large industrial groups, which provide additional support to the banks.

The following table ranks the larger branch network non-foreign commercial private sector banks by asset size as at 30 September 2019 under bank-only BRSA reporting standards, and number of branches as at 31 December 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Türkiye İş Bankası	Bank Pension Fund; RPP; Floated	434,745	1,271
Akbank	Sabanci Group; Floated	351,448	771
Yapı ve Kredi Bankası A.Ş	Koç Holding; UniCredit; Floated	373,283	846
Türk Ekonomi Bankası	Çolakoğlu Group; BNP; Floated Employee Pension Funds BTA, Samruk	102,451	471
Şekerbank	Kazyna Kazakhstan National Welfare Fund	29,745	238

Source: The Banks Association of Turkey.

The liberalisation of Turkey's economy and foreign trade in the 1980s led to profitable opportunities for banks in the field of trade finance. Most of the smaller banks concentrate on wholesale banking with limited retail services.

The following table ranks small branch network non-foreign commercial private sector banks by assets as at 30 September 2019 and number of branches as at 31 December 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Anadolubank	Habaş Group	16,366	113
Fibabanka	Özyeğin Group	21,545	63
Turkish Bank	Özyol Group and National Bank of Kuwait	1,257	11

Source: The Banks Association of Turkey.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. Out of eight privately-owned commercial banks, apart from the four largest banks, there are four medium-sized commercial banks.

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at 30 September 2019 there were 21 foreign banks in total, 16 of which were locally incorporated banks and five of which were branches of foreign banks.

The table below presents certain information regarding foreign commercial banks in Turkey together with their asset size under bank-only BRSA reporting standards as at 30 September 2019 and number of branches as at 31 December 2019:

Bank	Ownership	Total assets	Number of branches
		(TL, millions)	
Locally Incorporated Banks			
Alternatifbank	The Commercial Bank (QSC) and Anadolu Endüstri Holding A.Ş.[1]	28,182	48
Arap Türk Bankası	Libyan Central Bank, İş Bankası and Ziraat Bankası	4,600	7
Bank of China Turkey A.Ş.	Bank of China	1,742	1
Burgan Bank A.Ş.	Burgan Bank S.A.K.[2]	18,697	35
Citibank	Citi Group	12,498	3
Denizbank	Emirates NBD	148,280	708
Deutsche Bank	Deutsche Bank AG, London Branch	3,779	1
HSBC Bank	HSBC	33,069	77
ING Bank	ING	56,716	210
Odea Bank	Bank Audi sal-Audi Saradar Group	31,742	48
Rabobank	Rabobank International	1,670	1
ICBC Turkey Bank A.Ş.	Industrial and Commercial Bank of China Limited[4]	17,168	43
MUFG Bank Turkey A.Ş.	MUFG Bank, Ltd.	13,590	1
QNB Finansbank	Qatar National Bank SAQ[3]	174,192	525
Turkland Bank	Arab Bank, BankMed and Arab Bank Switzerland	3,769	17
Türkiye Garanti Bankası	BBVA; Floated[5]	374,335	912
Branches of Foreign Banks			
Habib Bank	Pakistan	242	1
Bank Mellat	Iran	1009	3
JPMorgan Chase Bank	United States	749	1
Société Générale	France	155	1
Intesa Sanpaolo	Italy	12,941	1

(1) On 1 July 2013, Commercial Bank of Qatar, completed the purchase and transfer of 80% of the shares of Alternatifbank from Anadolu Group to Commercial Bank of Qatar.

(2) In April 2012, Burgan Bank S.A.K., one of Kuwait's leading banks announced that it had entered into an agreement with Eurobank EFG to acquire 99.26% stake in Eurobank Tekfen. Following the completion of the transaction the trade name of Eurobank Tekfen was changed into Burgan Bank.

(3) The acquisition of 99.84% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively, and on 15 June 2016, the acquisition was completed.

(4) GSD Holding Tekstilbank entered into an agreement to transfer its majority stake held by GSD Holding in Tekstilbank to Commercial Bank of China in May 2014. The transfer was completed on 22 May 2015.

(5) In March 2017, Doğuş Holding A.Ş. sold its further 9.95% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for EUR859 million, and consequently Banco Bilbao Vizcaya Argentaria S.A. increased its shareholding in Garanti Bank to 49.85%.

Development and Investment Banks

There are three state owned, six privately owned and four foreign development and investment banks in Turkey. The following table presents these banks and their assets as at 30 September 2019 and number of branches as at 31 December 2019:

Bank	Total assets	Number of branches
	(TL, millions)	
State owned Development Banks:		
İller Bankası	35,087	19
Turk EximBank	157,546	20
Türkiye Kalkınma ve Yatırım Bankası	18,469	1
Privately Owned Development and Investment Banks:		
Türkiye Sınai Kalkınma Bankası	40,273	3
Nurol Yatırım Bankası	3,143	1
Diler Yatırım Bankası	175	1
GSD Yatırım Bankası	302	2
Aktif Yatırım Bankası	16,165	10
İstanbul Takas ve Saklama Bankası A.Ş	14,878	1
Foreign Development and Investment Banks:		
BankPozitif Kredi ve Kalkınma Bankası	893	1
Standard Chartered Yatırım Bankası Türk A.Ş	103	1
Merrill Lynch Yatırım Bankası	567	1
Pasha Yatırım Bankası A.Ş	1,605	1

(1) On 26 December 2014, the BRSA approved the transfer of majority stake in Taib Yatırım Bankası to Azeri Pasha Bank OJSC, the trade name of the bank was changed into Pasha Yatırım Bankası A.Ş. following the transfer

Source: The Banks Association of Turkey.

The banks in this category provide medium and long-term financings to large and medium sized companies on a project basis. The major funding sources of these banks are the Central Bank, international banks and institutions such as the World Bank, the EIB and various export credit agencies. These banks do not accept deposits and grant credits only on a project basis. They are also active in foreign exchange and securities transactions.

TURKISH REGULATORY ENVIRONMENT

Turkish banks and branches of foreign banks in Turkey are governed by two primary regulatory authorities in Turkey, the BRSA and the Central Bank.

The Banks Law No. 4389 established the BRSA, which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. Accordingly, the BRSA is authorised and obliged to take all steps to assure the effective functioning of the credit system in Turkey and to prevent all transactions and practices which could jeopardise the disciplined and safe functioning of the Turkish banking sector. The BRSA has administrative and financial autonomy. The Banking Law No. 5411, which abolished and replaced the former Banks Law No. 4389, came into force upon publication thereof in the Official Gazette dated 1 November 2005. The Banking Law was passed to increase confidence and stability in financial markets, ensure efficient operation of the credit system, and protect the rights and interest of deposit holders. The Banking Law includes provisions regarding capital adequacy, efficiency of control and audit to be carried out by the BRSA, creation of market discipline, and enforcing liability insurance requirements for third party service providers to banks, such as sworn auditors and credit rating agencies. Historically, its head office has been in Ankara. However, as of 13 February 2011 and pursuant to Law No. 6111, the head office was relocated to Istanbul.

The Central Bank was founded in 1931 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the Government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the Government on financial matters. The Central Bank is empowered to determine the inflation target together with the Government, and to adopt a monetary policy in compliance with such target.

The Central Bank exercises its powers independently and is responsible for its affairs within the bounds of the Government's defined policies. The Banking Law also authorises the Central Bank to determine caps on interest rates, commissions and other fees chargeable by banks.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported. Official certified bank auditors, who are responsible for the onsite examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyse the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 (the **Internal Systems Regulation**), banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department will report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process," should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the **ICAAP Report**) representing the bank's own assessment of its capital and liquidity requirements. An ICAAP Report is required to be submitted annually to the BRSA, together with the stress test analysis, the internal audit

report on the internal capital adequacy assessment process and the model validation report by the end of March of the following year. The board of directors of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report. The 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.

The Internal Systems Regulation initially established standards on principles of internal control, internal audit and risk management systems and an ICAAP Report in order to bring such regulations into compliance with Basel II requirements. In 2015 and 2016, the BRSA issued certain amendments to the Internal Systems Regulation to align the Turkish regulatory capital regime with the 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.

The Turkish Banking Association acts as a limited organisation of supervision and coordination. All banks in Turkey are obliged to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its regulatory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholding

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to authorisation by the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share ledger, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to cancel any applicable general assembly resolutions. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

- Credits extended in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, credits include cash credits and non-cash credits such as letters of guarantee, counter guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit.

- Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals;

- transactions carried out with the Ministry of Treasury and Finance (the **Turkish Treasury**), the Central Bank, Privatisation Administration, the Mass Housing Administration, Türkiye Varlık Fonu Yönetimi Anonim Şirketi or Turkey Wealth Fund as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;

- transactions carried out in the markets before the Central Bank and in other legally organised money markets;

- in case of new credit allocations to the same person or to the same risk group (but excluding checks and credit cards), valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits;

- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;

- interbank operations within the framework of the principles set out by the BRSA;

- shares acquired within the framework of underwriting services for public offering activities **provided that** such shares are disposed of in the time and manner determined by the BRSA;

- transactions considered as "deductibles" in the shareholders' equity account; and

- other transactions to be determined by the board of the BRSA (the **BRSB**).

Loan Loss Reserves

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. According to this article, banks must formulate implement and regularly

review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

On 22 June 2016, the BRSA has published the 2016 Provisioning Regulation which entered into force on 1 January 2018 in lieu of the Regulation on Provisions and Classification of Loans and Receivables published in the Official Gazette dated 1 November 2006 and No. 26333. The 2016 Provisioning Regulation aims at ensuring compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme by the International Monetary Fund and the World Bank. The 2016 Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the TFRS 9 compliant financial reporting standards of Turkey (**TFRS 9**) principles, (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. According to the 2016 Provisioning Regulation, the banks are still required to classify their loans and receivables in groups, but there are certain changes in the content of the groups compared to the Regulation on Provisions and Classification of Loans and Receivables. Please note that group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, banks are required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature and Other Receivables*:

This group involves each loan (which, for purposes of the 2016 Provisioning Regulation, includes other receivables and shall be understood as such elsewhere in this Base Prospectus):

(i) that has been disbursed to financially creditworthy natural persons and legal entities;

(ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

(iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any security;

(iv) in respect of which no weakening of the creditworthiness of the applicable debtor has been found; and

(v) to which 12 months expected credit loss reserve applies under TFRS 9.

(b) *Group II: Loans Under Close Monitoring*: This group involves each loan:

(i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor;

(ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan;

(iii) in connection with which problems are likely to occur as to principal and interest payments in accordance with the conditions of the loan agreement, and where the failure to resolve such problems might result in risk of non-collection in full without recourse to any security;

(iv) where although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of a weakening due to the debtor's irregular and unmanageable cash flow;

(v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following its payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;

(vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;

(vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;

(viii) that has been subject to restructuring when monitored under Group I or Group II without being able to be classified as an NPL; or

(ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

(c) *Group III: Loans with Limited Collection Possibility:*

This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened;

(ii) that has limited possibility for the collection of the full amount without recourse to any security due to the insufficiency of net realizable value of the security or the debtor's equity to meet the repayment of the full amount on the due date, and that would likely result in losses in case such problems are not resolved;

(iii) collection of the principal and interest (or both) of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date;

(iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor; or

(v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of a restructuring or have been subject to another restructuring within such one year of the previous restructuring.

(d) *Group IV: Loans with Doubtful Collection Possibility:*

This group involves each loan:

(i) principal and/or interest payments of which will probably not be collected in full under the terms of the loan agreement without recourse to any security;

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not yet considered as an actual loss by virtue of contribution expected from factors such as merger, the possibility of finding new financing or a capital increase to the debtor's creditworthiness and the collection possibility of the credit;

(iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following its payment due date (including the maturity date); or

(iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following its payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.

(e) *Group V: Loans Having the Nature of Loss:*

This group involves each loan:

(i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected;

(ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year; or

(iii) the collection of principal and/or interest payments of which has been overdue for more than one year following its payment due date.

Pursuant to the 2016 Provisioning Regulation, loans: (a) that are classified under Groups III, IV and V, (b) the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) to which, as a result of a debtor's default, the lifetime expected credit loss reserve applies under TFRS 9 are classified as NPLs. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in situations where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in limbs (a), (b) or (c) above. If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; however, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. If loans extended to a debtor are classified as an NPL, the creditworthiness of other debtors within the same risk group with that debtor should be evaluated at the date of classification as NPL of that debtor's loans. Accordingly, the loans extended to such other debtors should also be classified as an NPL if such loans fall within the scope of any of the circumstances stated in limbs (a), (b) or (c) above. According to the decision of the BRSA dated 15 November 2018 and numbered 8095, Credit Guarantee Fund-guaranteed loans (which are supported by the Turkish Treasury) will not be classified as NPLs unless there is an overdue amount for more than 90 days following the due date.

On 27 November 2019, the BRSA published an amendment to the 2016 Provisioning Regulation, which was given retrospective effect from 19 July 2019. According to this amendment, if the portion of a loan for which a lifelong expected loan loss provision or special provision has been set aside due to the debtor’s default and that is classified under Group V is not reasonably expected to be recovered, then such portion/loan may (as an accounting matter) be written down within the scope of TFRS 9 as of the first fiscal reporting period following its classification under Group V.

The 2016 Provisioning Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view as to whether such loans are to be reclassified under different groups, such evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments that pose a risk on such debtor's performance of its obligations, in macroeconomic circumstances, or in the sector in which the respective debtor operates, or solely related to the respective debtor regardless of the macroeconomic circumstances and the sector. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as an NPL have been collected in full without recourse to any security, (b) as of the date of the reclassification, there has been no overdue repayment and the last two repayments preceding such date (except the repayments mentioned in limb (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans (i) that have been fully or partially excluded from the assets of the banks (written-off), (ii) security for which has been enforced to satisfy the debt or (iii) repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, to which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL for at least one year following a restructuring, (iii) as of the date of reclassification as a Group II loan, there has been no delay in principal and/or interest payments or any expectation of any such delay in the future, and (iv) overdue payments, principal and/or interest payments excluded from assets (written-off) in relation to the restructured loan have been collected. On 21 November 2019, BRSA announced temporary changes in condition of NPL reclassification as a restructured loan under Group II, according to which one year monitoring period will be implemented as six months until 31 December 2020. Such restructured NPL being reclassified as a performing restructured Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. On 15 August 2018, the BRSA published an amendment regulation to the 2016 Provisioning Regulation, introducing the possibility of a performing restructured loan being classified as a Group I loan, after being monitored as a restructured loan at least for three months and if the conditions (C) and (D), above, are met (without seeking the satisfaction of conditions (A) and (B), above). Further, the same amendment regulation has provided that modification of the contract and/or partially or totally refinancing a Group 1-loan of a debtor who is not in financial difficulty is not considered restructuring and these loans can continue to be classified under Group 1.

Pursuant to the 2016 Provisioning Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the 2016 Provisioning Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelve-months expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the 2016 Provisioning Regulation. In this respect, such banks shall set aside general provisions for at least 1.5% and 3.0% of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2016 Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts; bonds that are issued by the Turkish government and the Central Bank, and guarantees and sureties provided by such, are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not to be considered in such calculation. As to special provisions, banks are required to comply with provision rules for NPLs under Groups III, IV and V at 20%, 50%, and 100%, respectively.

In respect of both general and special provisions, banks are required to consider country and transfer risks. In addition, the BRSA may increase such provision requirements on the basis of banks or loans, taking into

account the concentration from time to time in matters such as loans' size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, security, and the credit risk level and management.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the 2016 Provisioning Regulation increased the number of categories on collaterals (from four to five), amended the content of such categories, and amended the proportions to be deducted, in order to determine the net realisable values of the collaterals, from the borrower's NPLs as follows:

Discount Ratio	**(%)**
Category I Collateral	100
Category II Collateral	80
Category III Collateral	60
Category IV Collateral	40
Category V Collateral	20

According to the amendments to the Equity Regulation (as defined below) and the 2016 Capital Adequacy Regulation that will become effective as of 1 January 2022, general provisions will, from that date, no longer be allowed to be included in the supplementary capital (i.e. Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

Capital Adequacy

Article 45 of the Banking Law defines capital adequacy as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks with a capital adequacy ratio less than 12% from opening new branches.

The BRSA is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

In order to implement the rules of the report entitled "*A Global Regulatory Framework for More Resilient Banks and Banking Systems*" published by the Basel Committee on Banking Supervision in December 2010 and revised in June 2011 into Turkish law, the BRSA announced its intention to adopt the Basel III requirements in September 2013 and enacted its new regulations, the Regulation on Equity as published in the Official Gazette dated 5 September 2013 and numbered 28756 (the **Equity Regulation**), and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (which was later replaced by the 2016 Capital Adequacy Regulation, effective as of 31 March 2016), both of which entered into effect on 1 January 2014. The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599) in accordance with the Basel Committee's RCAP, which is conducted by the Bank for BIS and reviews Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, include revisions to the Equity Regulation and the Capital Adequacy Regulation.

Under the Equity Regulation, subordinated loans are included under "*additional Tier I capital*" and "*Tier II capital*" subject to certain conditions; however, their amounts are required to be reduced by the amount of any cash credit extended to creditors holding 10% or more of such loans of a bank (or to any person within such creditor's risk group).

Pursuant to Article 44/3 of the Banking Law and Article 14 of the BRSA Regulation, the net worth of a bank (i.e., the bank's equity) consists of main capital and supplementary capital minus capital deductions. The Equity Regulation defines the capital of a bank as the sum of: (a) principal capital (i.e., Tier I capital), which is composed of core capital and additional principal capital (i.e., additional Tier I capital) and (b) supplementary capital (i.e., Tier II capital) minus capital deductions. The Equity Regulation was amended on 11 July 2017, to remove certain capital deduction items such as real estate and goods held by the banks in specific circumstances.

The BRSA published the Capital Adequacy Regulation, which entered into force on 31 March 2016 (the **Capital Adequacy Regulation**) and replaced the former regulation, namely the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337. Pursuant to the Capital Adequacy Regulation: (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5% and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0%. The Capital Adequacy Regulation maintained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items.

Accordingly, pursuant to the Capital Adequacy Regulation, risk weights of certain assets are decreased such as:

(i) the risk weights of residential mortgage loans from 50% to 35%,

(ii) the risk weights of consumer loans (excluding residential mortgage loans and credit cards) qualifying as retail loans (*perakende alacaklar*) in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); **provided that** such receivables are not re-classified as non- performing loans (*donuk alacaklar*), and

(iii) the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%.

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 Credit Guarantee Fund and supported by the Turkish Treasury. On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend 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 4,200,000 to TL 5,500,000, which was then increased to TL 7,000,000 on 18 January 2019.
While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% risk weighting for Turkey; however, the Turkish rules implementing the Basel principles in Turkey (i.e., the **Turkish National Discretion**) revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. According to the Capital Adequacy Regulation, only Turkish Lira- denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves will be increased from 0% to 50%. According to the guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank will now also be subject to a 0% risk weight.

In addition, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, and entered into force on 1 January 2014 (with the exception of certain provisions of the latter regulation entered into effect on 1 January 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific counter-cyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. In this context, the BRSA further published: (a) its decision dated 18 December 2015 and numbered 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 and numbered 6602 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the

relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

Tier 2 Rules

According to the Equity Regulation, which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments that are not to be included in Tier I capital and have been approved by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance approval with the CMB) are met also can be included in Tier II capital calculations. In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the Equity Regulation also provides a limit for inclusion of general provisions in Tier II capital. Pursuant to the Equity Regulation, the basis for the calculation of this limit depends on risk-weighted assets related to credit risk. That being said, as of 1 January 2020, general provisions will, no longer be allowed to be included in the supplementary capital (i.e. Tier 2 capital) of Turkish banks and the aforementioned limit which is calculated on the basis of risk-weighted assets related to credit risk will not be applicable as of 1 January 2020.

On 7 June 2018, the BRSA published the Communiqué on Debt Instruments to be included in the Calculation of Banks' Equity, which sets forth procedures and principles for the write-up and write-down of the debt instruments or loans that are included in the calculation of banks' equity (i.e., additional Tier 1 and Tier 2 capital) as well as procedures and principles related to conversion of such debt instruments into shares.

The Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated debt". In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarised copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy thereof to be made after receipt of the BRSA's consent). In considering any such request for its permission the BRSA will evaluate whether the credit in question meets the following criteria:

- the debt instrument shall have been issued by the bank and such issuance shall be approved by the CMB and shall have been fully collected in cash,
- in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors,
- the debt instrument shall not be related to any derivative operation or contract violating the condition stated in the second clause nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,
- the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate,
- 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 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 ICAAP 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,

- 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,
- the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,
- 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,
- 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,
- 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
- the payment of debt before maturity is subject to approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option.

Furthermore, in addition to the 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.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital. In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilisation), they would be required to obtain the BRSA's permission. Upon any such application, the BRSA will seek to ensure that the equity of the bank shall exceed the higher of: (a) the capital adequacy requirement that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (b) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (c) the higher capital requirement set by the BRSA (if any).

In connection with secondary subordinated debt pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (i.e., not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the equity related criteria stated above.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20% each year.

Liquidity Reserve Requirement

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSB. Within this framework, a comprehensive liquidity arrangement was put in place by the BRSA, following the consent of the Central Bank.

The Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948 (the **Regulation on Liquidity Coverage Ratios**) and entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels, which entered into effect on 1 January 2015). The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and non-consolidated liquidity and 80% in respect of total consolidated and non-consolidated foreign exchange liquidity; however, pursuant to the BRSA Decision on Liquidity Ratios, for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40% respectively, and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes noncompliance that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied.

Pursuant to the Communiqué Regarding Reserve Requirements numbered 2013/15 and published in the Official Gazette dated 25 December 2013 and numbered 28862 (**Communiqué Regarding Reserve Requirements**) and as of the date of this Base Prospectus, the reserve requirements regarding foreign currency liabilities vary by category and tenor. Pursuant to the most recent amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 28 December 2019 and numbered 30992, the reserve requirements starting from 27 December 2019 and onwards for foreign currency liabilities as set forth below:

Category of Foreign Currency Liabilities	**Required Reserve Ratio**
Demand deposits, notice deposits and private current accounts, and deposits/participation accounts up to one month, up to three months, up to six months and up to one year maturities	19%
Deposits/participation accounts and precious metal deposit accounts with one year and longer maturity and cumulative deposits/participation accounts	15%
Other liabilities up to one year maturity (including one year)	21%
Other liabilities up to two years maturity (including two years)	16%
Other liabilities up to three years maturity (including three years)	11%
Other liabilities up to five years maturity (including five years)	7%
Other liabilities longer than five years maturity	5%
Special fund pools	Ratios for corresponding maturities above

Pursuant to the Communiqué Regarding Reserve Requirements, starting from 8 February 2019, the reserve requirements regarding Turkish Lira liabilities vary by category and tenor, as set forth below:

Category of Turkish Lira Liabilities	**Required Reserve Ratio**
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits	7.0%
Up to 1 month maturity (including 1 month)	7.0%
Up to 3 months maturity (including 3 months)	7.0%
Up to 6 months maturity (including 6 months)	4.0%
Up to 1 year maturity	2.0%
With maturities of 1 year and longer	1.0%
2) Borrowers' deposit accounts held at development and investment banks*	7.0%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1 year maturity (including 1 year)	7.0%

Category of Turkish Lira Liabilities	Required Reserve Ratio
Up to 3 years maturity (including 3 years)	3.5%
Longer than 3 years maturity	1.0%

[*] *Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.*

The reserve ratios listed in the table above are subject to continuous changes by the Central Bank, and the Bank maintains the required reserves in the amount determined by the Central Bank. Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest bearing (reserve accounts in foreign currencies have not been interest bearing since 2008). Pursuant to the Communiqué Regarding Reserve Requirements, interest may accrue on the reserve accounts in accordance with rules and procedures determined by the Central Bank.

On 19 August 2019, with the intention of using reserve requirements more flexibly and effectively as a macro prudential tool to support financial stability, the Central Bank decided to change the ratio of and the remuneration applied to required reserves. Accordingly, the reserve requirement ratios for Turkish Lira liabilities and the remuneration rates for Turkish Lira-denominated required reserves are linked to the annual growth rates of the total of banks' Turkish Lira-denominated standardised cash loans and cash loans under close monitoring, excluding foreign currency-indexed loans and loans extended to banks. For banks whose loan growth is between 10% and 20% (reference values), the reserve requirement ratios for Turkish Lira liabilities in all maturity brackets excluding deposits and participation funds with 1-year or longer maturity (excluding deposits/participation funds obtained from banks abroad) and other liabilities with longer than 3-year maturity (including deposits/participation funds obtained from banks abroad), will be set at 2%. The reserve requirement ratios for other banks are left unchanged. Additionally, the current remuneration rate of 13% applied to Turkish Lira-denominated required reserves, is set at 15% for banks with a loan growth between the reference values and at 5% to others. According to the new arrangement, loan growth rates will be calculated in each reserve requirement period and the banks whose loan growth is between the reference values will be subject to the related reserve requirement ratios and remuneration rates in the next three-months (six reserve requirement periods).

On 9 December 2019, the Central Bank rehauled the loan-growth-based reserve requirement system described in the paragraph above. It announced that, effective from 29 November 2019, it takes into account lower reference rates to determine which banks can benefit from the special reserve requirement regime, while introducing a mechanism whereby loan growth will be calculated in adjusted terms having regard to CPI.

Accordingly, it announced that the following banks are subject to a 2% required reserve ratio on TL deposits for all maturity brackets, except for those with a maturity of (i) 1 year and longer (for deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)); and, (ii) more than 3 years (for other liabilities (including deposit/participation accounts held at foreign banks)):

- banks that have a CPI-adjusted annual loan growth rate higher than 15%, **provided that** such rate would be equal to or lower than 15%, if it was calculated by deducting from the numerator of such rate the annual change in (i) housing loans with a maturity of five years or more and (ii) loans with a maturity longer than two years (excluding consumer loans and individual credit cards);

- banks that have a CPI-adjusted annual loan growth rate lower than 15%, **provided that** such rate would be equal to or higher than 5%, if it was calculated by deducting from the numerator of such rate half of the annual change in consumer loans (excluding housing loans with a maturity of five years or more) and individual credit cards; and

- banks that had an annual loan growth rate between 10% and 20% (reference values) and thereby met the former loan growth conditions described in the paragraph above announced on 19 August 2019, in the calculation period until (and including) 29 November 2019. These latter banks benefit from this required reserve ratio regime only for six calculation periods starting from the calculation period during which their loan growth rate was between the reference values.

The reserve requirements will also apply to gold deposit accounts. Furthermore, pursuant to the Communiqué Regarding Reserve Requirements issued by the Central Bank: (a) banks are permitted to maintain up to a maximum of 30% of the Turkish Lira reserve requirements in U.S. dollars (first 20% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times) and up to a maximum of 30% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6 times, second 5% at 1.7 times, third 5% at 2.1 times, and fourth 5% at 2.5 times the reserve requirement); and (b) up to the entire amount of reserve requirements that should be maintained for precious metal deposit accounts should be maintained in the form of standard gold in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their U.S. dollar denominated liabilities in U.S. dollars only; whereas, banks are allowed to maintain their required reserves against foreign currency denominated liabilities (other than U.S. dollars) in U.S. dollars or euro.

From April 2013, the BRSA introduced additional reserve requirements for banks that did not meet a specified leverage ratio. Pursuant to the Communiqué on Reserve Requirements which entered into force as of 17 January 2014, banks must establish additional mandatory reserves if their financial leverage ratio falls within certain intervals. Currently, the Bank's leverage ratio is above the required limit and the Bank has not been required to increase reserves to date.

On 15 August 2017, an amendment to the Regulation on Liquidity Coverage Ratios (numbered 30155) increasing the inclusion ratio of the mandatory reserves held at the Central Bank to 100% from 50% in the calculation of liquidity coverage ratios was published in the Official Gazette. The Bank does not expect this change to negatively impact its liquidity coverage ratios or the Bank's business, financial condition and/or results of operation.

Foreign Exchange Requirements

The ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, such calculation being required on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors shall establish audit committees for the execution of audit and monitoring functions. Audit committees shall consist of a minimum of two members who must be non-executive members of the board of directors. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors. Furthermore, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities pursuant to the Internal Systems Regulation, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to

select an independent audit firm in accordance with the Regulation Regarding the Independent Audit of the Banks, published in the Official Gazette on 2 April 2015, numbered 29314 (as amended from time to time). Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance is required for (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Internal Systems Regulation, issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057, which was most recently amended on 4 March 2017, standards as to principles of internal audit and risk management systems were established in order to bring such regulations into compliance with Basel II requirements.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the Borsa İstanbul. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA under the "*Regulation on Procedures and Principles of Audit to be conducted by the BRSA*", published in the Official Gazette dated 22 July 2006 and numbered 26236 (**BRSA Annual Audits**). BRSA Annual Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of a bank. Typically, as an outcome of the BRSA Annual Audit, the Group receives a report (the **BRSA Financial Health Report**) and has an opportunity to reply to the report before it is finalised, and, once the final report from the BRSA is finalised, makes any necessary changes required for compliance. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off site examinations.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF is a public legal entity established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, the tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Treasury, the BRSA and the Central Bank.

Borrowings of the SDIF

The SDIF may borrow in extraordinary situations upon an authorisation from the Treasury by borrowing Government debt securities which are issued by the Treasury where it is deemed necessary. Principles and procedures regarding the borrowing of Government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

Power to Require Advances from Banks

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set off against their future premium obligations.

Contribution of the Central Bank

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amount, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

Premiums as an Expense Item

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

Claims

In the event of the bankruptcy of a bank, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since 25 September 2019, deposit accounts (Turkish Lira, foreign exchange currency accounts or other accounts linked to precious metals) opened by natural persons in domestic branches are insured by the SDIF up to an amount of TL 150,000 per person, in each deposit bank.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is such as to make it unable to conduct its business in a secure manner;
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient;
- the assets of such bank have been impaired in a manner weakening its financial structure;
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems;
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure; or

- for D SIBs, the precautions under the precaution plan are not implemented promptly, such precautions are unable to cure the applicable weakness or it is determined that such weakness cannot be cured even if such precautions were implemented.

Then the BRSA may require such bank:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to cease the exercise of providing loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit its new investments;
- to limit its salary distributions or other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions;
- to take all actions to decrease any foreign exchange and interest rate risks; and/or
- to take any other action that the BRSA may deem necessary.

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite it having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets;
- to decrease its operational costs;
- to postpone its payments, excluding the regular payments to be made to its members;
- not to make available any cash or non-cash loans to certain third persons or legal entities;
- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to apply the aforementioned actions;
- to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank; and/or
- to take any other action that the BRSA may deem necessary.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business for a temporary period;
- to apply various restrictions, including restrictions with respect to resource collection and utilisation;

- to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers;
- to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or more other banks;
- to provide new shareholders in order to increase its equity capital;
- to cover its losses with its equity capital; and/or
- to take any other action that the BRSA may deem necessary.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) such bank cannot cover its liabilities as they become due, (e) the total amount of the liabilities of such bank exceeds the total amount of its assets, or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual and financial reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, the audit committee, the general manager, the deputy general manager responsible for chief financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare

that the financial reports comply with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

When the BRSA requests a bank's annual reports, the general manager, a representative of the audit committee and the deputy general manager responsible for chief financial reporting must sign the reports indicating their full names and titles and declare that the annual reports comply with relevant legislation and accounting records.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish annual reports that comply with the BRSA's established guidelines. These reports include the following information: corporate profile, assessment by the chairman of the board and general manager, details on banking and subsidiaries activities, management and organisation structures, financial situation, corporate governance practices including human recourse implementations, assessment of risk management and policies and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the Regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual General Assembly of the bank. Each bank must submit a copy of its annual report to the BRSA by the end of April and keep a copy of it in its headquarters and each branch and publish it on its website by the end of May.

Disclosure of Financial Statements

With the *Communiqué on Financial Statements to be Disclosed to the Public* published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of the banks were promulgated. The amendments to the calculation of risk weighted assets and their implication of capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk are determined. In addition, new principles are determined with respect to the disclosure of, *inter alia*, position risks relating from securitisation transactions or investments on quoted stocks.

The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier I capital) and supplementary capital (i.e., Tier II capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

Further, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Anti-Money Laundering Policies

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the **Law on the Prevention of Laundering Proceeds of Crime**).

Minimum standards and duties under the Law on the Prevention of Laundering Proceeds of Crime and related legislation in effect, namely, the "Regulations on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" the "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism", and the "Regulation on Suspension of the Transactions Pursuant to the Prevention of Laundering Proceeds of Crime" include customer identification, record keeping, suspicious transactions reporting, employee training, monitoring activities, designation of a compliance officer, and suspension of the suspicious transactions related to prevention of laundering proceeds of crime.

Suspicious transactions must be reported to the Financial Crimes Investigation Board.

The Bank believes it is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation. These regulations include requirements to have written policies and procedures on anti-money laundering and "know your customer" principles such as, assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks (**Basel III**). A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the Basel III draft proposal, and the Basel Committee issued a final comprehensive framework in December 2010. On 1 February 2013, the BRSA published draft regulations for the implementation of Basel III in Turkey. The consultation period for these draft regulations ended on 1 March 2013 and the BRSA made a public announcement on 1 July 2013 that Basel III requirements to be adopted with the regulations will be effective as of 1 January 2014. On 5 September 2013, the regulation on equities of banks (i.e. the Equity Regulation) and the amendments to the regulation on capital adequacy requirements (i.e. the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, which regulation was later replaced by the 2016 Capital Adequacy Regulation, effective as of 31 March 2016) were published in the Official Gazette numbered 28756 both of which entered into effect on 1 January 2014. In addition to these new regulations: (a) regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 (the **Regulation on the Capital Maintenance and Cyclical Capital Buffer**), (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 (the **Regulation on the Measurement and Evaluation of Leverage Levels of Banks**) and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published the Regulation on Liquidity Coverage Ratios in the Official Gazette dated 21 March 2014 and numbered 28948. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. On 6 August 2014, the BRSA

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

On 23 October 2015, the BRSA issued certain amendments to regulatory capital regulations with a view to align the Turkish regulatory capital regime with Basel III requirements, which are all published in the Official Gazette numbered 29511 and which are all to enter into force on 31 March 2016. Briefly these new regulations foresaw (i) certain amendments to the Equity Regulation, introducing certain clarifications to the eligibility requirements of Additional Tier 1 and Tier 2 instruments and also amending the regulatory treatment of certain capital items that are taken into account for the purposes of calculating regulatory capital of the banks; (ii) certain amendments to the Internal Systems Regulation imposing new regulatory requirements to enhance the effectiveness of the internal risk management and internal capital adequacy assessment including among others, introduction of new stress test requirements; and, (iii) the introduction of the 2016 Capital Adequacy Regulation to replace the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks. The BRSA also issued draft regulation to amend the existing equity regulation with the intention to revise the regulatory capital treatment of certain Additional Tier 1 Notes and Tier 2 Notes issued by Turkish banks issued before 1 January 2014 based on their issuance dates, maturity and certain terms and conditions in accordance with Basel III requirements.

On 23 February 2016, the BRSA issued the domestic systemically important banks (**D-SIBs**) regulation (the **D-SIBs Regulation**) introducing a methodology for assessing the degree to which banks are systemically important in the domestic market. The contemplated methodology requires the identification of the Turkish DSIBs under four different categories based on their 2014 year-end consolidated financial statements, and requires the banks falling within these categories to hold 1 to 3 per cent. of additional core capital (*ilave çekirdek sermaye*) of their total risk-weighted assets. This additional core capital requirement entered into effect on 31 March 2016, subject to a transition period as set out below.

Groups	**D-SIBs Buffer Ratios (%)**			
	2016	**2017**	**2018**	**From 1 January 2019**
4th group (empty).....	0.75	1.5	2.25	3
3rd group	0.5	1	1.5	2
2nd group.....	0.375	0.75	1.125	1.5
1st group.....	0.25	0.5	0.75	1

As of the date of this Base Prospectus, the Bank is classified in the second group, resulting in a decrease of 50 bps with respect to its required D-SIBs buffer ratio.

The Basel III framework includes several key initiatives, which change the capital adequacy framework the Basel Committee previously published in 1999 (**Basel II**). The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments will need to meet more stringent requirements.

- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirement for trading book and re securitisation activities, and were implemented in December 2011 throughout Europe. Further changes, to be implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment (**CVA**).

- New minimum requirements and capital buffer requirements are increased. The Basel Committee has defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier I ratio, 6% Tier I ratio and 8% capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5% in order not to face restrictions.

The Bank is already in compliance with the Basel III framework, and its current CET and Tier I ratio levels are sufficiently above the minimum capital requirements including the capital conservation buffer.

The Basel Committee has also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

Liquidity Coverage Ratio (LCR)

LCR is a metric measuring the adequacy of unencumbered free liquid assets (**High quality liquid assets**) to meet expected net cash flows over the next 30 days. LCR is an important Basel regulation metric that measures short-term liquidity and is closely monitored in the Group.

High quality liquid assets included in the LCR calculation consist of cash, effective money, Central Bank accounts and reserves and debt instruments issued by the Treasury of the Republic of Turkey which are treated as high quality liquid assets.

Cash outflows from derivative transactions in the LCR calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in LCR calculation by taking the largest amount according to absolute value of net margin flows realised in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subject of guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in the Central Bank market and interbank market.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables below. The Group's LCR based on the simple average of the last twelve months LCR for 31 December 2019 was 179.3%. The table below shows the calculation of LCR for the periods indicated:

(*TL thousands*)	**31 December 2019[(1)]**				**31 December 2018[(1)]**			
	Unweighted Amounts		**Weighted Amounts**		**Unweighted Amounts**		**Weighted Amounts**	
	TL+FC	**FC**	**TL+FC**	**FC**	**TL+FC**	**FC**	**TL+FC**	**FC**
High Quality Liquid Assets								
High Quality Liquid Assets...			52,439,200	39,172,679			35,257,953	25,374,179
Cash Outflows								
Retail and Small Business Customers Deposits.....	114,414,739	74,270,310	10,691,213	7,427,031	107,685,131	68,141,659	10,198,065	6,814,166
Stable deposits	15,005,209	-	750,260	-	11,408,948	-	570,447	-
Less stable deposits	99,409,530	74,270,310	9,940,953	7,427,031	96,276,183	68,141,659	9,627,618	6,814,166
Unsecured Funding other than	35,876,036	21,769,802	19,613,215	10,291,503	27,723,684	16,292,370	15,464,540	8,027,212

(*TL thousands*)	31 December 2019[1]				31 December 2018[1]			
	Unweighted Amounts		Weighted Amounts		Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC	TL+FC	FC	TL+FC	FC
Retail and Small Business Customers Deposits.....								
Operational deposits.....	6,518,552	4,399,584	1,629,638	1,099,896	5,274,702	3,486,291	1,318,676	871,573
Non-operational deposits.....	22,246,178	14,844,213	10,876,661	6,667,809	15,235,213	10,060,646	6,939,247	4,416,212
Unsecured debt	7,111,306	2,526,005	7,106,916	2,523,798	7,213,769	2,745,433	7,206,617	2,739,427
Secured wholesale funding ...			144,190	143,867			587,624	-
Other cash outflows.....	1,744,288	3,069,723	1,109,468	2,313,347	3,789,886	4,479,668	2,437,655	3,464,444
Outflows related to derivative exposures and other collateral requirements	686,254	1,809,097	686,254	1,809,097	1,536,168	2,787,628	1,536,168	2,787,628
Outflows related to loss of funding on debt products ...	-	-	-	-	-	-	-	-
Credit and liquidity facilities.	1,058,034	1,260,626	423,214	504,250	2,253,718	1,692,040	901,487	676,816
Other contractual funding obligations	304,682	304,120	304,148	304,120	1,033,153	1,032,593	1,032,621	1,032,593
Other contingent funding obligations	76,816,648	23,152,603	5,731,835	2,262,386	73,717,589	24,714,358	5,656,597	2,392,594
Total Cash Outflows.....			**37,594,069**	**22,742,254**			**35,377,102**	**21,731,009**
Cash Inflows								
Secured Lending	1,619,697	-	-	-	4,088	-	-	-
Unsecured Lending	11,293,770	5,581,633	8,018,709	4,211,418	13,895,332	9,802,605	10,927,647	8,685,132
Other Cash Inflows	251,281	4,913,503	251,281	4,913,503	288,559	5,409,314	288,559	5,409,314
Total Cash Inflows	**13,164,748**	**10,495,136**	**8,269,990**	**9,124,921**	**14,187,979**	**15,211,919**	**11,216,206**	**14,094,446**
Capped Amounts								
Total High Quality Liquid Assets.....			**52,439,200**	**39,172,679**			**35,257,953**	**25,374,179**
Total Net Cash Outflows....			**29,324,079**	**13,617,333**			**24,160,896**	**7,636,563**
Liquidity Coverage Ratio (%)			**179.3**	**289.5**			**146.1**	**339.5**

(1) Simple arithmetic average of the values calculated for the last three months by taking the simple arithmetic average monthly.

Loan-Deposit Spreads and Loan Yields

The table below shows the calculation of Loan-Deposit Spreads and Loan Yields as of 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
	(TL thousands, except %)	
Interest income on Performing Loans.....	17,123,501	15,418,582
TL	12,741,648	11,374,703
Total Performing Loans[2]	140,624,281	138,506,881
TL[2]	63,020,969	60,077,983
Average Performing Loans[1][2]	137,509,050	130,219,764
TL[2]	59,657,723	60,694,694
Performing Loan Yield[2].....	12.45%	11.84%
TL Performing Loan Yield[2]	21.36%	18.74%
Interest cost on Deposits[3].....	8,793,055	8,368,654
TL[3]	7,265,615	6,870,337
Deposits[3]	154,005,815	136,541,791
TL[3]	51,019,373	47,060,792
Average Deposits[1][3]	146,147,633	128,012,170
TL[3]	45,745,047	45,662,889
Cost of Deposit[3]	6.02%	6.54%
Cost of Deposit (TL)[3]	15.88%	15.05%
Performing Loan - Deposit spreads[2][3]	6.44%	5.30%
Performing Loan - Deposit spreads (TL)[2][3]	5.48%	3.70%

(1) Average figures of the Bank are calculated as the average between the figures for the beginning and end of the period. However, the figures for subsidiaries included within these figures are calculated as the average of the amounts as of each month-end during the respective periods.
(2) Excluding accruals.
(3) Including Demand Deposits.

Personal Data Protection

The Law on Protection of Personal Data (the **Law No. 6698**) was accepted on 24 March 2016 and published in the Official Gazette dated 7 April 2016 and numbered 29677. A majority of the provisions of Law No. 6698 became effective from 7 April 2016.

Under Law No. 6698, the main requirement to collect and process personal data is to obtain explicit consent of the person whose data will be collected and processed (**Data Subject**). However, personal data can also be collected and processed without the Data Subject's consent in any of the conditions stated below:

- if collection and processing is permitted by any specific law provision,
- if the Data Subject is under a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of the Data Subject's or third parties' life or physical integrity,
- if processing is necessary for the formation or performance of a contract to which the Data Subject is a party,
- if processing is mandatory for a data controller to perform his/her legal duties,
- if personal data has been made available to the public by the Data Subject himself/herself,
- if processing is mandatory for assigning, using or protecting a right,
- if processing is necessary for purposes within the scope of work and services provided by the data controller, which are considered by Turkish Law its "legitimate interest," **provided that** the fundamental rights and freedoms of the Data Subject are protected.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, appearance and way of dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered sensitive personal data. Under Law No. 6698, sensitive personal data may only be processed upon the Data Subject's explicit consent. The conditions to legally process sensitive personal data are as follows:

- obtaining explicit consent of the Data Subject and,
- taking necessary precautions determined by the data protection board of the Republic of Turkey (**Data Protection Board**).

However, explicit consent of the Data Subject is not required to legally process the above noted sensitive data under any of the conditions set out below:

- sensitive data, except for data concerning health and sexual life, can be processed if explicitly permitted by law,
- data concerning health or sexual life can only be processed for the purposes of protection of public health and planning or sustaining health-care services by an authorised body or persons who are under an obligation of confidentiality,
- collection and processing is permitted by any specific law provision, and
- collection and processing is mandatory for assigning, using or protecting a right.

According to Law No. 6698, personal data may only be transferred to third parties with the Data Subject's explicit consent. In the absence of such consent, personal data may still be transferred to third parties if the conditions mentioned above for the processing of personal and sensitive data are met.

Personal data can also be transferred to third countries with the explicit consent of the Data Subject. In the absence of such consent, personal data may still be transferred to third countries if the conditions mentioned above for the processing of personal and sensitive data are met and the laws of the country to which the personal data will be transferred adequately protect personal and sensitive data.

In case there is no adequate legal protection for personal and sensitive data in the third country, the data controllers in Turkey and in the relevant country must undertake in writing to adequately protect such data and the Data Protection Board must also approve such transfer. The Data Protection Board will determine the list of countries which adequately protect and to which personal data may be transferred without the explicit consent of the Data Subject.

All personal data, processed or collected before the enactment of the Law No. 6698, is required to be brought in conformity with the articles of Law No. 6698 within two years.

In addition, the Banking Law provides a stricter protection regime applicable to banks in respect of customer secrets, defined under the Banking Law as "information collected related to an individual or entity's banking related activities after the customer relationship is established". Accordingly, if any personal data also falls within the scope of such definition, a specific instruction (in addition to the explicit consent requirement set out under the Law No. 6698) from the relevant client will be necessary for the bank to be able to share the customer secret with any third party. The Banking Law also grants vast authorities to the BRSA such as the power to prevent information sharing by banks with offshore entities at its own discretion in respect of specific data categories to be determined by the BRSA.

Foreign Exchange Legislation

Decree No. 32 on Protection of the Value of Turkish Currency published in the Official Gazette dated 11 August 1989 and numbered 20249 (**Decree 32**) and the Capital Movements Circular of the Central Bank was amended, effective as of 2 May 2018, in order to introduce new restrictions on Turkish corporates utilising foreign currency loans from Turkey and outside of Turkey. While the new regime continues to maintain the existing prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange indexed loans, it further introduces a strict prohibition on Turkish non-bank corporates (**Corporate Borrower**) utilising foreign currency indexed loans and also brings in new restrictions on Corporate Borrowers utilising foreign currency loans (**F/X Loan Restriction**).

Accordingly, a Corporate Borrower shall only be permitted to utilise foreign currency loans if (i) it generates foreign currency-denominated revenue (which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities" in the new legislation) (the **F/X Revenue Exemption**); (ii) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the **Activity Exemption**); or (iii) if as of 2 May 2018, the unpaid outstanding balance of its total foreign currency loans and/or foreign currency indexed loans (**Loan Balance**) is more than U.S.$15 million.

As far as the F/X Revenue Exemption is concerned, if the Loan Balance of a Corporate Borrower is below U.S.$15 million, the sum of the foreign currency loan to be utilised and the existing Loan Balance must not be more than the combined value of its foreign currency revenues as stated in its financial statements for the last three years. The Turkish-resident financial institutions are obliged to control whether such Corporate Borrower complies with this rule. If not, the Turkish-resident financial institutions are obliged to either cancel or convert into Turkish Lira, the portion of the foreign currency loan that exceeds this value.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of, among others, (i) a domestic tender with an international element awarded to such Corporate Borrower; (ii) defence industry projects approved by the Directorate of Defence Industry; (iii) public private partnership projects; or (iv) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency revenues (*muhtemel döviz geliri*). Note that in order for a Corporate Borrower to benefit from the Activity Exemption summarised in item (iv), it must not have any foreign currency revenue within the last three financial years (which otherwise, would be subject to the F/X Revenue Exemption) and the maximum amount of foreign currency loan such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign

revenue. The Ministry of Treasury and Finance is entitled to extend the scope of the Activity Exemption, and has exercised such authority and included, among others, privatisation tenders, public tenders awarded with an FX consideration and unlicensed electricity generation projects within this scope.

Furthermore, on 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between Persons residing in Turkey: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction contracts. According to such amendments, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (i.e., by 13 October 2018). On 6 October 2018 and 16 November 2018, the Turkish Treasury issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any Notes issued directly to Turkish investors, subject to restrictions applicable to a resident of Turkey on directly investing in Notes (or beneficial interests therein) issued outside of Turkey) are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

In August 2018, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25% of a bank's regulatory capital, then reducing this level to 10% in February 2020. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 10% level (which is calculated on a daily basis) is attained; however, transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. Separately, when calculating the transactions falling within the scope of the threshold, local banks are to consider transactions having a maturity of: (a) 90 to 360 days at 75% of their amount and (b) no less than 360 days at 50% of their amount.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products with non-residents with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10% of such bank's most recently calculated regulatory capital; provided that this restriction does not apply to transactions with a bank's non-Turkish financial subsidiaries and other affiliates that are subject to consolidation.

Most recently, on 12 April 2020, the BRSA has resolved that the limits regarding Turkish banks' exposures under swap, spot, forward and other derivative transactions with foreign counterparties under which the Turkish bank will receive Turkish Lira at the maturity date (which was previously capped at 10%) is reduced to 1% of such bank's most recently calculated regulatory capital. In this regard, the BRSA has further clarified that the transactions with different terms will no longer be subject to a differential treatment based on the applicable maturity date for the purposes of the daily calculation of the 1% limit. Likewise, in the similar types of derivative trades where the Turkish bank will sell Turkish Lira to a foreign counterparty at the maturity date, the total notional principal amount of local banks' exposure may not exceed (i) 10% of the bank's regulatory capital for transactions with a maturity of 1 year or less; (ii) 2% of the bank's regulatory capital for transactions with a maturity of 30 days or less; and (iii) 1% of the bank's regulatory capital for transactions with a maturity of 7 days or less. Furthermore, a prior written approval of the BRSA will be necessary if, for any reason, these transactions are requested to (i) be terminated earlier than the agreed maturity or (ii) become subject to an extended maturity. On 13 April 2020, the CMB has announced that equivalent restrictions will also be applicable to the capital markets institutions.

Caps on Credit Card Interest Rates and POS Commission Rates

The Central Bank adjusts from time to time the monthly cap on individual credit card interest rates, which was reduced most recently on 6 April 2019 from 2.25% to 2.15% to 2.0% on 29 June 2019 and to 1.60% on 28 September 2019 and to 1.40% on 28 December 2019. Further, on 16 October 2019, the Central Bank introduced an amendment to the Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profit and Loss Participation Rates and Benefits in Credit Transactions Other than Interest (*Mevduat ve Kredi Faiz Oranları ve Katılma Hesapları Kâr ve Zarara Katılma Oranları ile Kredi İşlemlerinde Faiz Dışında Sağlanacak Diğer Menfaatler Hakkında Tebliğ*) published in the Official Gazette

dated 09 December 2006 and numbered 26371 (the **Communiqué on Deposit and Loan Interest Rates**), capping the commission rates applied by the banks in their point of sale (**POS**) business. As per the Communiqué on Deposit and Loan Interest Rates, from 1 November 2019 onwards, the POS commission rates applied by the banks in goods and service purchases are capped with 1.60%, if the amounts from such purchases are transferred by the banks to the merchant's disposal the day following the transaction. In the event that such purchase is made in instalments, for each additional instalment, this cap is increased by 0.89%. If the amounts from such purchases are not transferred by the banks to the merchant's disposal the day following the transaction, such cap for commission rates are decreased by taking into account the number of days between the day of the transaction and the day on which the amounts from such purchases are transferred by the banks to the merchant's disposal.

The Central Bank recently issued the New Communiqué on Deposit and Loan Interest Rates and the Communiqué on Commercial Customer Fees, both of which became effective as of 01 March 2020 (and for the Communiqué on Commercial Customer Fees, most of the provisions relating to the fees has become effective as of 01 April 2020). The New Communiqué on Deposit and Loan Interest Rates, which abolished and replaced the Communiqué on Deposit and Loan Interest does not have any provisions regulating the POS commission rates; however, it introduced a cap on the interest rate applicable to demand deposit accounts. Accordingly, the interest rates to apply to deposit accounts are determined freely by the banks, except for the rates applying to demand deposit accounts, which cannot exceed 0.25% annually.

POS commissions are regulated under the Communiqué on Commercial Customer Fees and the POS commission rates applied by the banks in goods and service purchases are capped with the monthly reference rate to be determined by the Central Bank plus 0.45 points, if the amounts from such purchases are transferred by the banks to the merchant’s disposal the day following the transaction. If the amounts from such purchases are not transferred by the banks to the merchant’s disposal the day following the transaction, such cap for commission rates are decreased by taking into account the number of days between the day of the transaction and the day on which the amounts from such purchases are transferred by the banks to the merchant’s disposal.

Communiqué on Commercial Customer Fees further sets forth standardised fees and caps for commercial customers. Accordingly, credit allocation fees will not exceed 0.25% of the total credit limit allocated and credit utilisation fees will not exceed 1% of the total credit utilised. For revolving facilities, utilisation fees can only be received periodically and cannot exceed 0.25% of the average credit limit for the relevant three-month period. Moreover, the Communiqué on Commercial Customer Fees obliges the banks to accept prepayment in case a commercial customer requests to make a prepayment for its entire credit debt, in return for a prepayment fee. For loans with a term less than 24 month, this fee cannot exceed 1% of the amount paid by the customer to the bank following the deductions of the relevant interest amount and other cost elements. For loans with a term of more than 24 months, this cap is set at 2% and for foreign currency denominated or indexed loans, such caps can be increased by one point.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. In addition, changes were introduced to this law on 15 March 2018 that (*inter alia*) states that the contractual termination, default and acceleration clauses of an agreement cannot be triggered in case the debtor makes a concordat application and such application shall not constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the **Restructuring Regulation**) pursuant to which a framework agreement was drafted by the Banks Association of Turkey (as amended, novated or supplemented from time to time and as reissued on 9 October 2019, the **Framework Agreement**). The main aim of the Restructuring Regulation is to enhance the repayment ability of debtors in repaying their debts to the financial sector in order for these companies to sustain their operations and contribute to the employment in Turkey. The Framework Agreement determined: (a) the scope of debts to be restructured, (b) the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor's eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. According to the Framework Agreement, there are

two main restructuring schemes: (a) a large scale restructuring for debtors that have a principal debt equal to or more than TL 25 million (including cash and non-cash debt) and (b) a small scale restructuring for debtors that have a principal debt less than TL 25 million, in each case, including cash and non-cash debt. According to the Framework Agreement, the eligible debtor(s) and the applicable credit institutions may sign a restructuring agreement at any time through 19 September 2020. As such, certain borrowers of the Bank might apply for restructuring of their debt.

In respect of the large scale restructurings large scale restructurings (i.e. with an amount of principal equal to or above TL 25 million), the eligible Turkish or foreign creditors (the **Eligible Creditors**) that have signed or will be signing the Framework Agreement will constitute a creditors consortium and, to the extent that a debtor is able to meet certain eligibility conditions set out in the Restructuring Regulation and the Framework Agreement (together the **New Restructuring Framework**), it will have the right to apply to one of the three Eligible Creditors carrying the highest three exposures to initiate the restructuring process. Pursuant to the Framework Agreement applicable for large scale restructurings (i.e. with an amount of principal equal to or above TL 25 million), when a debtor makes an application for restructuring, there is a minimum 90 day standstill period, which can be extended up to 180 days. If the restructuring agreement is signed, then, during the standstill period, all enforcement actions by the respective Eligible Creditors that sign the Framework Agreement are suspended and no new enforcement action can be initiated by such Eligible Creditors against such debtor. The debtor and any related party (including such debtor's subsidiaries, other affiliates and their respective shareholders) are under the "*equal treatment*" principle during the standstill period, which requires them not to favour any Eligible Creditor over any other Eligible Creditor. Following the negotiations, if a restructuring protocol is entered into between such number of Eligible Creditors representing at least two-thirds of the outstanding debt of the debtor that has been agreed to be restructured under the Framework Agreement, then all Eligible Creditors that have signed the Framework Agreement must restructure their loans to such debtor. According to the New Restructuring Framework, a restructuring protocol may (*inter alia*) provide for a reduction of restructured debt, extension of maturities of the restructured debt, extension of new loans, introduction of new framework for the governance of the debtor, injection of shareholder equity contribution, disposal of certain parts of the business of the debtor and the provision of additional collaterals.

According to the Restructuring Regulation, only debtors that are expected to gain the financial ability to repay their obligations in a reasonable period of time are allowed to benefit from financial restructuring. To this end, the solvency of such debtors that would like to benefit from a restructuring scheme is to be determined by the entities specified in the Framework Agreement. Furthermore, the Banking Law has been amended on 17 July 2019 to incorporate, among others, a provisional article which forms the legislative basis of the Restructuring Regulation. Such amendments contemplate certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring, as well as a provision which states that reduction of collateral pool, write-off of principal or other receivables or such other actions taken by banks to effectuate the restructuring of loans shall not constitute embezzlement offence set out under Article 160 of the Banking Law.

On 15 September 2018, the Ministry of Commerce issued a communiqué that sets forth the procedures and principles relating to the application of Article 376 of the Turkish Commercial Code (Law No. 6102), which regulates the measures that Turkish companies (i.e., joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This new communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Turkey prepare their financial statements in Turkish Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based upon the currency rate applicable as of the date of such financial statements; however, until 1 January 2023, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. As such, companies will not be required to apply any measures set forth in Article 376 of the Turkish Commercial Code to maintain their capital if the relevant loss of capital or insolvency arises solely from the currency fluctuations.

Credit Guarantee Fund

The Credit Guarantee Fund (**KGF**) was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises, in particular, to those that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional Article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount was increased to TL 25 billion in accordance with the Law No. 6770 dated 18 January 2017 and to TL 50 billion within the scope of the stimulus package introduced against the Covid-19 outbreak. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) (as amended from time to time), the KGF guarantees are supported by the Turkish Treasury.
Pursuant to Presidential Decree No. 162 published in the Official Gazette dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured up to 96 months for working capital loans and up to 156 months for investment loans. Such Presidential Decree also requires lenders to provide an opportunity to borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

Recent Coronavirus-related Measures

As a result of fluctuations in the financial markets due to the COVID-19 outbreak, Turkish authorities have taken several measures:

On 17 March 2020, the BRSA announced temporary changes in NPL classification for banks until 31 December 2020 which extended the delinquency periods after which loans are required to be recategorised pursuant to the 2016 Provisioning Regulation. Accordingly, the delinquency period after which loans are required to be classified in Group II is extended from 30 days to 90 days, and delinquency period after which loans are required to be classified in Group III is extended from 90 days to 180 days. In addition, the loans that (i) have been reclassified as a performing loan after restructuring but principal and/or interest payments have been overdue for more than 30 days within one year of a restructuring or (ii) have been subject to another restructuring within such one year of the previous restructuring will not be classified in Group III until 31 December 2020.

On 22 March 2020, presidential decision number 2279 ordered the cessation of enforcement and bankruptcy proceedings across Turkey (excluding proceedings related to alimony receivables) until 30 April 2020.

On 23 March 2020 the BRSA issued a press release announcing three measures, which will remain in effect until 31 December 2020. First, banks may use the foreign exchange buying rates for a bank's financial statements for the year ended 31 December 2019 when calculating (i) amounts valued in accordance with Turkish Accounting Standards and (ii) the bank's relevant specific reserve amounts of monetary and non-monetary assets under the Regulation on Assessment and Evaluation of the Capital Adequacy of Banks. Second, when calculating their capital adequacy ratio, banks may disregard negative net valuation differences of securities held by the bank before 23 March 2020 that fall within the scope of the bank's "Fair Value Through Other Comprehensive Income" portfolio, but not such securities acquired after 23 March 2020. And third, banks may disregard the value loss reserves of the securities they held as of 23 March 2020 when calculating their foreign currency net general position under the Regulation on Calculation and Implementation of Foreign Currency Net General Position/Equity Capital Standard Ratio by Banks on a Consolidated and an Unconsolidated Basis but not for securities they acquired after 23 March 2020.

On 26 March 2020, the BRSA has resolved with its decision numbered 8967 and numbered 26 March 2020 that, in order to provide a certain level of flexibility to Turkish banks in maintaining the relevant ratios under the Regulation on Liquidity Coverage Ratios, (in addition to other advantages granted to investment and development banks) the rules in relation to remedies to be implemented by Turkish commercial and participation banks and the applicable penalties as a result of any noncompliance with regulatory liquidity coverage ratios will not be applicable until 31 December 2021, however, the Turkish commercial and participation banks would still be required to continue to report their liquidity coverage ratios to the BRSA in accordance with the Regulation on Liquidity Coverage Ratios.

On 27 March 2020, the BRSA has resolved with its decisions numbered 8970 and 8971 that principal and interest payments of vehicle and consumer loans made available by banks, financial leasing, factoring and financing companies are postponed until 31 December 2020 and the delay will not be taken into account in determining maturity limits, which under normal circumstances range from 48 to 60 months. Further, the 30-day delay resulting in loans to fall from Group I to Group II under the 2016 Monitoring Regulation will, from 17 March 2020 until 31 December 2020, deemed to be 90 days. For loans that continue to be classified in the second category in spite of the 90-day default, banks will be required to continue to set aside provisions in compliance with their own risk models used in the calculation of expected loan loss under TFRS 9.

On 31 March 2020, the Central Bank introduced a further option for the banks with the aim of increasing the limits for the additional liquidity facilities to be provided to the banks. Accordingly, the Central Bank decided to conduct Turkish Lira currency swap auctions with a maturity of six months and an interest rate of 125 basis point lower than the one week repo rate. As an alternative option to manage their liquidity during the unprecedented pandemic, the Central Bank's measures announced on 31 March 2020 also involve the authority conferred on Turkish banks to include asset backed securities and mortgage covered bonds in their collateral portfolio for Turkish Lira and foreign exchange transactions effectuated at the Central Bank.

Additionally, the Central Bank announced, on 17 March 2020 and subsequently on 31 March 2020, certain measures with respect to rediscount credits. Such measures, inter alia, include entitling the rediscount credit borrowers to postpone their repayments by up-to three months and a new batch of Turkish Lira denominated rediscount credits up to a total limit of TL 60 billion for the export companies. A half of this total limit of TL60 billion will be utilised from public banks, whereas TL20 billion has been allocated for utilisations from Turk Eximbank and TL 10 billion from other banks.

On 12 April 2020, the BRSA has resolved with its decision numbered 8989 that the limits regarding Turkish banks' exposures under swap, spot, forward and other derivative transactions with foreign counterparties under which the Turkish bank will receive Turkish Lira at the maturity date (which was previously capped at 10%) is reduced to 1% of such bank's most recently calculated regulatory capital. In this regard, the BRSA has further clarified that the transactions with different terms will no longer be subject to a differential treatment based on the applicable maturity date for the purposes of the daily calculation of the 1% limit. Likewise, in the similar types of derivative trades where the Turkish bank will sell Turkish Lira to a foreign counterparty at the maturity date, the total notional principal amount of local banks' exposure may not exceed (i) 10% of the bank's regulatory capital for transactions with a maturity of 1 year or less; (ii) 2% of the bank's regulatory capital for transactions with a maturity of 30 days or less; and (iii) 1% of the bank's regulatory capital for transactions with a maturity of 7 days or less. Furthermore, a prior written approval of the BRSA will be necessary if, for any reason, these transactions are requested to (i) be terminated earlier than the agreed maturity or (ii) become subject to an extended maturity. On 13 April 2020, the CMB has announced that equivalent restrictions will also be applicable to the capital markets institutions.

As per the BRSA decision dated 16 April 2020 and numbered 8999, the risk weight to be applied to calculation of principal subject to credit risk, (based on the "standard approach" under the Capital Adequacy Regulation) may be taken into account as 0% in respect of the foreign currency denominated receivables of Turkish banks from the central administration of the Republic of Turkey.

On 18 April 2020, the BRSA has resolved with its decision numbered 9000 that as of 1 May 2020, Turkish banks would be required to maintain an "asset ratio" to be calculated on a weekly basis in accordance with the formula set out under the relevant decision. Under the decision which aims to (amongst other things) encourage Turkish banks to provide more liquidity to Turkish customers as well as the Central Bank through different mediums, the "asset ratio" of each Turkish bank will be calculated the ratio of (i) credits (other than the credits in respect of which enforcement proceedings have been initiated by the Turkish bank), securities (such as corporate bonds, government bonds, debentures or other debt instruments purchased by the Turkish bank) and foreign currency reserves transferred to the Central Bank within the scope of swap trades (based on a different multiplier applicable to each item in the formula) to (ii) TRY and foreign currency deposits held with such banks (based on a different multiplier applicable to each item in the formula). Accordingly, all commercial banks are required to maintain an "asset ratio" equal to or above 100% as of the end of each month. In addition, the BRSA also announced that a failure by a Turkish bank to maintain the required "asset

ratio" would result in administrative fines in accordance with Article 148(1)(a) of the Banking Law, which may not be less than TRY 500,000.

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7 per cent. withholding tax for notes with an original maturity of less than one year,
- 3 per cent. withholding tax for notes with an original maturity of at least one year and less than three years, and

- 0 per cent. withholding tax for notes with an original maturity of three years and more.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 49,000 for 2020 together with the gains from other marketable securities and income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required. The Provisional Article 67 is valid until end of 2020.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Notes (or beneficial interests therein) are subject to income tax or corporate income tax. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting periods of 2018, 2019 and 2020. The current rate for individuals ranges from 15% to 40% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 7 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding tax at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding tax. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Bond issuances and interest payments over the bonds are exempt from the Value Added Tax (**VAT**) pursuant to the Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended with the Turkish Tax Bill Regarding Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (**FFI**, as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is listed on the FFI list as a foreign financial institution for these purposes. A number of jurisdictions 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 currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which 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 published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in 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 the withholding.

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

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 5 May 2020, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury Regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA or in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the EEA and the United Kingdom (each a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the 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.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Turkey

The Issuer has obtained the CMB Approval from the CMB required for the issuance of Notes under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme have been authorised and approved in accordance with Decree 32, the Banking Law and related legislation, the Capital Markets Law and related regulations. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in.

Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Article 15(d)(ii) of Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) in both the primary and secondary markets, may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; provided that (for each of clauses (a) and (b)) such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither they, nor any of their respective affiliates, nor any person acting on behalf of any of the Dealers or any of their respective affiliates, have engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither they nor any of their respective affiliates, nor any person acting on behalf of any of the Dealers or any of their respective affiliates (i) have engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the notes in Turkey, or (ii) will make any disclosure in Turkey in relation to the issuer, the notes or the Base Prospectus without the prior consent of the issuer, save as may be required by applicable law, court order or regulation.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (**SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **CWUMPO**) or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

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 is not intended to constitute an offer or solicitation to purchase or invest in the Notes and Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the **FinSA**) and no application has or will be made to admit Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been, 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 caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

The United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the **DFSA**) rulebook; and

(b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, directly or indirectly, and will not offer or sell, directly or indirectly, any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Taiwan

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes (i) have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of the Republic of China (**Taiwan**) and/or other regulatory authority of Taiwan pursuant to the relevant securities laws and regulations and (ii) may not be offered, issued or sold within Taiwan through a public offering or in circumstances that constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or any other relevant laws and regulations that require a registration or filing with, or approval of, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and shall be set out in the relevant subscription agreement.

GENERAL INFORMATION

The Bank is registered at the Istanbul Trade Registry under number 368587. It has its principal office at Esentepe Mah. Büyükdere Cad. No: 141, İstanbul, 34394, Turkey. Its telephone number is +90 212 348 2000 and its website is www.denizbank.com. The Legal Entity Identifier of the Bank is 3RV7W250LTUQH12INJ88.

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 February 2020.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or around 7 May 2020. Unlisted Notes may be issued pursuant to the Programme.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from www.denizbank.com/en/investor-relations/gmtn-programme.aspx:

(a) the English translation of the Articles of Association of the Issuer (as the same may be updated from time to time);

(b) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(c) a copy of this Base Prospectus; and

(d) any future Base Prospectus, prospectuses, information memoranda, supplements to this Base Prospectus and any other documents incorporated herein or therein by reference.

This Base Prospectus and Final Terms for Notes that are listed on the Official List and admitted to trading on the London Stock Exchange's regulated market will be published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

The English translation of the Articles of Association of the Issuer is an accurate and direct translation of the original foreign language document. In the event of any discrepancy between the English translation and the foreign language version, the foreign language version will prevail.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms.

If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as disclosed in "*Description of the Issuer – Recent Developments*": (i) there has been no significant change in the financial performance or financial position of the Group since 31 December 2019; and (ii) there has been no material adverse change in the prospects of the Group since 31 December 2019.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer and/or the Group.

Auditors

The BRSA Financial Statements incorporated by reference into this Base Prospectus have been audited, without qualification as of and for the years ended 31 December 2019 and 31 December 2018 in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("**ISA**") which are a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("**POA**").

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

EY and Deloitte are authorised by the CMB, BRSA, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standard Authority Board to conduct independent audits. The Bank's financial statements are prepared on a quarterly basis, semi-annual and annual basis in accordance with BRSA.

Dealers transacting with the Issuer

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Dealers, the Arrangers and their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates, including in relation to the hedging of the Notes. Certain of the Dealers and/or their respective affiliates have acted and expect in the future to act as a

lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arrangers, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

APPENDIX 1 - OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS. As this appendix details some of the important accounting policy differences between the BRSA and IFRS accounting standards, it should be remembered that IFRS 9 became effective 1 January 2018, and therefore that should be taken into account. This appendix includes as well special explanations with respect to the periods before and after the implementation of IFRS 9 in order to avoid confusion. Among the differences in accounting policies some of the most important are:

For the year ended 31 December 2017 (Before IFRS 9 Application)

Consolidation and Scope

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA Principles, others are carried at cost or fair value. The definition of control under BRSA Principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for "significant influence" for associates differs. Under BRSA Principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10% or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate's board of directors even though such rate is below 10%) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate. In IAS 28 such a threshold is set as 20%.

Specific Provisioning for Loan Losses

BRSA provisioning for loan losses is different from IAS 39 and is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS, provision for loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Furthermore, according to BRSA, collaterals are included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralised financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General Loan Loss Provisioning

BRSA requires general loan loss provisions to be calculated over on and off balance sheet financial instruments that carry credit risk using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

Deferred Taxation

According to IAS 12, income taxes' deferred taxation is calculated based on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the issuer. Certain differences between the IFRS and BRSA accounting standards' treatment of deferred taxation prior to the implementation of IFRS, which was effective from 1 January 2018. Prior to 2018, it was not permitted to recognise deferred tax on general loan loss provisions under BRSA principles. Starting from 1 January 2018, deferred tax calculation principles became identical in the IFRS and BRSA accounting standards.

Application Period for Hyperinflationary Accounting

Under BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

For the years ended 31 December 2018 and 2019 (After IFRS 9 Application)

With the implementation of IFRS 9 on 1 January 2018, classification and expected credit loss principles assigned to loan portfolio became the same under the BRSA and IFRS accounting standards. However, the BRSA standard made some amendments to the application of BRSA principles through communiqués and legislation, which caused differences between BRSA and IFRS in terms of classification and expected credit losses. Among the remaining differences in accounting policies, some of the most important are:

Consolidation Scope

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA Principle; others are carried at cost or fair value.

Control Power

The definition of control under BRSA Principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for "significant influence" for associates differs. Under the BRSA Principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10% or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate's board of directors even though such rate is below 10%) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate. In IAS 28 such a threshold is set as 20%.

Application Period for Hyperinflationary Accounting

Under BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, which represents a difference of one year between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

Modified financial assets

In accordance with IFRS 9, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, then an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

(a) the risk of a default occurring at the reporting date (based upon the modified contractual terms); and

(b) the risk of a default occurring at initial recognition (based upon the original, unmodified contractual terms).

In accordance with the BRSA Principles, an entity can measure the loss allowance for the financial instrument of which contractual cash flows have been renegotiated or modified at an amount equal to 12-month expected credit losses without assessing whether there has been a significant increase in the credit risk of the financial instrument.

ISSUER

DENİZBANK A.Ş.
Esentepe Mah. Büyükdere Cad. No: 141
İstanbul, 34394
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ISSUING AND PRINCIPAL PAYING AGENT, TRANSFER AGENT AND EXCHANGE AGENT

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REGISTRAR, PAYING AGENT AND TRANSFER AGENT

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To the Dealers as to Turkish law

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(a member firm of Ernst & Young Global Limited)
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Daire: 54 57 59
Kat: 2 3 4, Sariyer/Istanbul
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