

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR (2) PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

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

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

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

The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients, as defined in the rules set out in Directive 2014/65/EU (as amended, “MiFID II”). Prospective investors are referred to the section headed “*Prohibition on marketing and sales to retail investors*” on page v of the Prospectus for further information.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities described herein, investors must be either (1) Qualified Institutional Buyers (“**QIBs**”) (within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act) or (2) persons other than U.S. persons (as defined in Regulation S) outside of the U.S. This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs or (b) outside of the U.S. and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such Prospectus by electronic transmission.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none

of Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Société Générale and UniCredit Bank AG (the **Joint Bookrunners**), or any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Bookrunners.

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

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



Yapı ve Kredi Bankası A.Ş.
a Turkish banking institution organised as a joint stock company
U.S.\$650,000,000 Perpetual Fixed Rate Resetable Additional Tier 1 Notes
Under its U.S.\$11,000,000,000
Global Medium Term Note Programme
Issue Price: 100% payable in full in U.S. dollars on the Issue Date

Yapı ve Kredi Bankası A.Ş., a Turkish banking institution organised as a joint stock company (the “Bank” or the “Issuer”), is issuing U.S.\$650,000,000 Perpetual Fixed Rate Resetable Additional Tier 1 Notes (the “Notes”) under its U.S.\$11,000,000,000 Global Medium Term Note Programme. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or the securities or “blue sky” laws of any state of the United States of America (“United States” or “U.S.”), the Republic of Turkey (“Turkey”), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the “U.S. Offering”) in the United States to qualified institutional buyers (each a “QIB”) as defined in, and in reliance upon, Rule 144A (“Rule 144A”) under the Securities Act and (b) for sale (the “International Offering” and, with the U.S. Offering, the “Offering”) outside the United States to persons other than U.S. persons in reliance upon Regulation S (“Regulation S”) under the Securities Act. For a description of certain restrictions on sale and transfer of the Notes, see “Subscription and Sale and Transfer and Selling Restrictions” in the Base Prospectus (as defined under “Documents Incorporated by Reference”).

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “RISK FACTORS” BEGINNING ON PAGE 1 OF THIS PROSPECTUS AND INCORPORATED BY REFERENCE FROM THE BASE PROSPECTUS (SEE “DOCUMENTS INCORPORATED BY REFERENCE” BELOW).

As described further under “Use of Proceeds” in the Base Prospectus which is incorporated herein by reference (see “Documents Incorporated by Reference”), the net proceeds of the Notes will be used by the Issuer for the Issuer’s general corporate purposes.

The shareholders of Koç Financial Services (“KFS”) (Koç Holding A.S. (“Koç Holding”) and UniCredit S.p.A (“UniCredit”)) may purchase up to 80% of the Notes offered. The holding and any sale of Notes by these parties may adversely affect the liquidity of the Notes and may also affect the prices of the Notes in the secondary market, particularly if some or all of these holders elect to sell their Notes at the same time. Koç Holding and UniCredit have agreed with the Issuer not to sell or otherwise transfer or dispose of, directly or indirectly, other than any transfer to any of their affiliates, any of their interests in any Notes purchased in the initial offering of the Notes for a period of 180 days from the Issue Date. Under the Agency Agreement (as defined in “Terms and Conditions of the Notes”), there is no restriction on the exercise of voting rights with respect to the Notes held by the Controlling Shareholders (as defined in Condition 15.1) (which as of the date of this Prospectus are KFS, Koç Holding and UniCredit) and their Affiliates (as defined in Condition 4.5) but provision is included for the quorum at any meeting for passing an Extraordinary Resolution to effect any Reserved Matter (as defined in Condition 15.1) for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held directly or indirectly by any of the Controlling Shareholders and their Affiliates to be subject to persons holding or representing Notes held by persons other than the Controlling Shareholders and their Affiliates being at such meeting as further set out in Condition 15.1. For such an Extraordinary Resolution to be passed it must also be passed by a majority voting in respect of the Notes held by persons that are not the Controlling Shareholders or any of their Affiliates. For further information, see Condition 15.1. The interests of the shareholders of KFS may differ from the interests of other Noteholders. See “Risk Factors - Risks Related to the Market Generally - No Secondary Market – An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes” in the Base Prospectus and “Risk Factors – Risks Related to the Structure of the Notes - Modification, waivers and substitution” in this Prospectus. See “Subscription and Sale and Transfer and Selling Restrictions” in the Base Prospectus. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes will bear interest from (and including) 15 January 2019 (the “Issue Date”) to (but excluding) 15 January 2024 (the “First Reset Date” and, together with every fifth anniversary thereof, each a “Reset Date”) at a fixed rate of 13.875% per annum. In respect of each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date (each a “Reset Period”), the Notes will bear interest at a fixed rate of 11.245 per cent. per annum above the 5 Year Mid-Swap Rate (as defined in the terms and conditions of the Notes (the “Conditions”)). Subject to the right of the Issuer to cancel any payment of interest in respect of the Notes, interest will be payable semi-annually in arrear on 15 January and 15 July in each year; provided that if any such date is not a Payment Day (as defined in Condition 7.4), then such payment will be made on the next Payment Day. The Notes initially will be sold to investors at a price equal to 100% of the principal amount thereof.

The Notes are perpetual securities and have no fixed date for redemption and Noteholders do not have the right to call for their redemption. Subject as provided herein and (if required by applicable law) to the prior approval of the Banking Regulatory and Supervisory Authority (the “BRSA”), the Notes may be redeemed at the option of the Issuer in whole (but not in part) (i) on any Reset Date, at their Prevailing Principal Amount and (ii) upon the occurrence of a Capital Disqualification Event or a Tax Event, at their Prevailing Principal Amount and in the manner described herein.

The Issuer may elect, in its sole and absolute discretion, to cancel any payment of interest in respect of the Notes in whole or in part at any time and for any reason, and payments of interest in respect of the Notes will also not be made in certain other circumstances as provided in Condition 5.6. Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes then the right of the Noteholders to receive the relevant interest payment (or part thereof) will be extinguished and the Issuer will have no obligation to pay such interest payment (or part thereof), whether or not future interest payments on the Notes are paid. The cancellation or other non-payment of interest as provided in Condition 5 will not constitute an event of default or entitle any action to be taken by Noteholders. For further information, see Condition 5.

In the event that the CET1 Ratio of the Issuer and/or the Group is less than 5.125 per cent., in each case as determined by the Issuer (a “Trigger Event”), the Prevailing Principal Amount of the Notes will be Written-Down by the Trigger Event Write-Down Amount, as further provided in Condition 6.1, see “Risk Factors – Upon the occurrence of a Trigger Event, the principal amount of the Notes will be Written-Down”. To the extent the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount at any time as a result of a Trigger Event Write-Down, the Prevailing Principal Amount may, in the sole and absolute discretion of the Issuer and subject to certain conditions, be subsequently reinstated (in whole or in part) out of the profits generated by the Issuer or the Group, as further described in Condition 6.5.

The Notes are also subject to loss absorption upon the occurrence of a Non-Viability Event (as defined in Condition 6.6), in which case, an investor in the Notes may lose some or all of its investment in the Notes. See “Risk Factors – Potential Permanent Write-Down – The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer” herein and Condition 6.2.

If at any time a Tax Event or a Capital Disqualification Event occurs, the Issuer may, instead of giving notice to redeem the Notes pursuant to Condition 8.3 or 8.4, as the case may be, but subject to compliance with Applicable Banking Regulations and the approval of the BRSA, either substitute all (but not some only) of the Notes for, or vary the terms of the Notes accordingly (without any requirement for the consent or approval of the Noteholders), provided that they remain or, as appropriate, so that they become, Qualifying Additional Tier 1 Securities (as defined in Condition 8.5). See “Risk Factors - Risks Related to the Structure of the Notes - Substitution and variation of the Notes without Holder consent” and Condition 8.5.

There is currently no public market for the Notes. This Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC, (as amended, including by Directive 2010/73/EU) (the “Prospectus Directive”). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union (“EU”) law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, “MiFID II”) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“Euronext Dublin”) for the Notes to be admitted to the official list (the “Official List”) and trading on its regulated market (the “Main Securities Market”). This Prospectus constitutes a “Prospectus” for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the “Prospectus Regulations”). References in this Prospectus to the Notes

being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II.

Application has been made to the Capital Markets Board of Turkey (the “CMB”) in its capacity as competent authority under Law No.6362 of the Republic of Turkey relating to capital markets (the “Capital Markets Law”) for the approval of the issuance certificate relating to the Notes by the CMB and the issuance and sale of the Notes by the Bank outside Turkey. The Notes cannot be sold outside Turkey before the necessary approvals and an approved issuance certificate in respect of the Notes are obtained from the CMB. The CMB approval relating to the issuance of the Notes based upon which the offering of the Notes will be conducted was obtained by the CMB letter dated 24 April 2017 and (to the extent and in the form required by applicable law or regulation) the written approval for this Tranche of Notes will be obtained from the CMB on or before any sale and issuance of this Tranche of Notes.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of 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 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 manufacturers’ 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 manufacturers’ target market assessment) and determining appropriate distribution channels.

Amounts payable under the Notes during each Reset Period will be calculated by reference to the 5 Year Mid-Swap Rate which is provided by ICE Benchmark Administration Limited (the “Benchmark Provider”). As at the date of this Prospectus, the Benchmark Provider does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “Benchmark Regulation”). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the Benchmark Provider is not currently required to obtain authorisation or registration.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) imposed or levied by or on behalf of a Relevant Jurisdiction (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined on page 53 below), unless the withholding or deduction of the Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders (as defined below) after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under decrees numbered 2010/1182 published on 29 December 2010 and numbered 2011/1854 published on 29 June 2011 (the “Decrees”). Pursuant to the Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (ii) with respect to bonds with a maturity at least of one and less than three years, the withholding tax rate on interest is 7%, (iii) with respect to bonds with a maturity at least of three and less than five years, the withholding tax rate on interest is 3%, and (iv) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See “Taxation—Certain Turkish Tax Considerations” in the Base Prospectus.

The Notes are being offered under Rule 144A and under Regulation S by Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Société Générale and UniCredit Bank AG (collectively, the “Joint Bookrunners”), subject to their acceptance and right to reject orders in whole or in part. The Notes will initially be represented by global certificates in registered form (the “Global Certificates”). The Notes offered and sold in the United States to QIBs in reliance on Rule 144A (the “Rule 144A Notes”) will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the “Restricted Global Certificate”) and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”) and will be deposited on or about the Issue Date (as defined below) with The Bank of New York Mellon, New York Branch in its capacity as custodian (the “Custodian”) for DTC. The Notes offered and sold outside the United States to persons other than U.S. persons in reliance on Regulation S (the “Regulation S Notes”) will be represented by beneficial interests in a single, permanent global certificate in fully registered form without interest coupons, the “Unrestricted Global Certificate”) and will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee, and will be deposited on or about the Issue Date with The Bank of New York Mellon, London Branch as common depository for, and in respect of interests held through, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”). It is expected that the Global Certificates will be delivered against payment therefor in immediately available funds on the Issue Date.

The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients, as defined in the rules set out in MiFID II. Prospective investors are referred to the section headed “Prohibition on marketing and sales to retail investors” on page v of this Prospectus for further information.

Joint Global Coordinators, Structuring Advisors and Bookrunners

BofA Merrill Lynch

Citigroup

Joint Global Coordinator and Bookrunner

UniCredit Bank

Joint Bookrunners

J.P. Morgan

**Société Générale
Corporate & Investment Banking**

The date of this Prospectus is 11 January 2019.

This prospectus (the “Prospectus”) constitutes a prospectus for the purpose of Article 5 of the Prospectus Directive as implemented in Ireland and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Notes. This Prospectus is to be read in conjunction with all documents (or parts thereof) which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents (or parts thereof) are incorporated by reference in, and form part of, this Prospectus. Where there is any inconsistency between the Base Prospectus of the Bank dated 4 September 2018 (the “Base Prospectus”) relating to the Bank’s Global Medium Term Note Programme (the “Programme”) and this Prospectus, the language used in this Prospectus shall prevail.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all information which is material with respect to the Issuer and the Notes, that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions, predictions and intentions expressed in this Prospectus are honestly held and are not misleading in any material respects and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect and all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Bookrunners to subscribe for or purchase, any Notes. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

No person has been authorised in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Joint Bookrunners or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorised by the Issuer or the Joint Bookrunners. The delivery of this Prospectus at any time does not imply that there has been no change in the Issuer’s affairs or that the information contained in it is correct as at any time subsequent to its date. This Prospectus may only be used for the purpose for which it has been published.

No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy or completeness of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Joint Bookrunners assumes any responsibility for the accuracy or completeness of the information set forth in this document or any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

None of the Issuer or the Joint Bookrunners or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of any investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

In this Prospectus, the “Group” refers to the Bank and its consolidated subsidiaries, unless the context otherwise requires.

Unless otherwise indicated, “Noteholder” refers to the registered holder of any Note. “Beneficial Owner” refers to an owner of a beneficial interest in any Note.

Unless otherwise indicated, references to “**resident**” herein refer to tax residents of Turkey and references to “**non-resident**” herein refer to persons who are not tax residents of Turkey.

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

Prospective investors must determine the suitability of investment in the Notes in the light of their own circumstances. In particular, prospective investors should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;
- (b) have 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 the investor’s overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect the investor’s investment and ability to bear the applicable risks.

The issuance of the Notes was approved by the CMB on 30 March 2018 by the CMB letter dated 2 April 2018 and numbered 53/BA-435 (and the issuance certificate (*ihraç belgesi*) annexed thereto (the “**CMB Approval**”) and by the BRSA in its letter dated 9 May 2018 and numbered 20008792-101.02.0150-E.6269 (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 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*)) 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.

Pursuant to the CMB Approval, the offering of the Notes has been authorised by the CMB only for the purpose of the sale of the Notes outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, “**Decree 32**”), the Capital Markets Law No. 6362 and Communiqué Serial VII, No 128.8 on Debt Instruments.

The BRSA Approval authorised the treatment of the Notes as Additional Tier 1 capital of the Issuer for so long as the Notes comply with the requirements of the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013 (No. 28756) (the “**Equity Regulation**”). The BRSA Approval is conditional on the compliance of the Notes with the requirements of the Equity Regulation. For a description of the regulatory requirements in relation to Additional Tier 1 capital, see paragraph (a) of “*Additional Information – Turkish Regulatory Environment*”.

In addition, the Notes (or beneficial interests therein) have to be offered or sold outside of Turkey. Under the CMB Approval, the CMB has approved the offering of the Notes, *provided that*, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey

by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey offshore on an unsolicited (reverse inquiry) basis in the secondary markets; *provided that* they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through licensed banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised pursuant to BRSA regulations. Monies paid for purchases of the Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund of Turkey (the “**SDIF**”).

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (trade name: Central Registry Istanbul (*Merkezi Kayıt İstanbul*)) (the “**CRA**”) within three Turkish business days from the Issue Date of the amount, issue date, ISIN, first payment date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance. Except as described in this Prospectus, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Prospectus, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement (as defined below).

An application has been made to admit the Notes to listing on Euronext Dublin; however, no assurance can be given that such application will be accepted.

This Prospectus has been filed with and approved by the Central Bank of Ireland as required by the Prospectus Regulations.

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the United Kingdom Financial Conduct Authority (the “**FCA**”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “**PI Instrument**”).

In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the “**PRIIPs Regulation**”) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) (“**MiFID II**”) was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the “**Regulations**”.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities, such as the Notes.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

Each Joint Bookrunner is required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Bank and/or the Joint Bookrunners, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Bookrunners that:

- (i) it is not a retail client (as defined in MiFID II);
- (ii) whether or not it is subject to the Regulations, it will not:
 - (a) sell or offer the Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II); or

- (b) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of MiFID II).

In selling or offering Notes or making or approving communications relating to the Notes, it may not rely on the limited exemptions set out in the PI Instrument; and

- (iii) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Bank and/or the Joint Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

IMPORTANT – EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to any retail investor in the EEA (each, an "**EEA Retail Investor**"). For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II, (b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any EEA Retail Investors might be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and eligible counterparties only target market - Solely for the purposes of 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 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

All references herein to "**Turkey**" are to the Republic of Turkey, all references to "**Ireland**" are to Ireland (exclusive of Northern Ireland) and all references to a "**Member State**" are to a Member State of the European Economic Area.

In connection with the issue of Notes to be underwritten by the Joint Bookrunners, Citigroup Global Markets Limited (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) 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 terms of the offer of the issue 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 and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

Other than the Approvals, the Notes have not been approved or disapproved by any state securities commission or any other U.S., Turkish, United Kingdom, Irish or other regulatory authority, nor have any of

the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary may be a criminal offence.

The distribution of this Prospectus and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Prospectus are required by the Bank and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Prospectus and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom, Ireland and other jurisdictions.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Issuer has derived substantially all of the information contained in this Prospectus concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Prospectus has been obtained from the website of the BRSA at www.bddk.org.tr and the Banks' Association of Turkey's website at www.tbb.org.tr and all data relating to the Turkish economy, including statistical data, has been obtained from TurkStat's website at www.turkstat.gov.tr, the Central Bank of Turkey (the "**Central Bank**", or "**CBRT**") website at www.tcmb.gov.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of January 2018 and February 2018 and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer's management internal research, constitute the best current estimates of the information described.

Any translation of information from Turkish into English for the purpose of inclusion in this Prospectus is direct and accurate.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Such data, while believed to be reliable and accurately extracted by the Issuer for the purposes of this Prospectus, has not been independently verified by the Issuer or any other party and you should not place undue reliance on such data included in this Prospectus. As far as the Issuer is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted which would render the reproduction of this information inaccurate or misleading.

TURKISH TAX CONSIDERATIONS

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined on page 53 below) imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 9), unless the withholding or deduction of the Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such

withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under the Decrees. Pursuant to the Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (ii) with respect to bonds with a maturity at least of one and less than three years, the withholding tax rate on interest is 7%, (iii) with respect to bonds with a maturity at least of three and less than five years, the withholding tax rate on interest is 3%, and (iv) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%.

TABLE OF CONTENTS

RISK FACTORS	1
DOCUMENTS INCORPORATED BY REFERENCE	12
ADDITIONAL INFORMATION	17
OVERVIEW OF THE OFFERING OF THE NOTES.....	26
SELECTED FINANCIAL INFORMATION.....	34
TERMS AND CONDITIONS OF THE NOTES	36
TAXATION	63
SUBSCRIPTION AND SALE.....	66
GENERAL INFORMATION	67

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 Prospectus and the documents (or parts thereof) that are incorporated herein by reference, and in particular should consider all the risks inherent in making such an investment, including the information under the heading “Risk Factors” on pages 1 to 41 (inclusive) of the Base Prospectus (the “**Programme Risk Factors**”), before making a decision to invest. In addition to the other information in this Prospectus a number of factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Risk Factors. Prospective investors should also read the detailed information set out elsewhere in (or incorporated by reference into) this Prospectus and reach their own views prior to making any investment decision. If any of the risks set out in the Programme Risk Factors or herein actually occur, the market value of the Notes may be adversely affected. The Bank believes that the factors described in the Programme Risk Factors and below represent the principal risks inherent in investing in the Notes, but the Bank does not represent that such statements regarding the risks of holding any Notes are exhaustive.*

The Programme Risk Factors are incorporated by reference into this Prospectus. For the purpose of the Notes only, investors should read the following “*Risks Relating to the Structure of a Particular Issue of Notes*” (with references to Conditions in the following being references to the Conditions of the Notes as forth in “*Terms and Conditions of the Notes*” herein) in addition to the Programme Risk Factors:

Risks Related to the Structure of the Notes

The Notes are complex instruments that may not be suitable for all investors

The Notes may not be suitable for all investors. Prospective investors must determine the suitability of investment in the Notes in the light of their own circumstances. In particular, prospective investors should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;
- (b) have 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 the investor’s overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect the investor’s investment and ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Subordination – Claims of Noteholders under the Notes will be unsecured and deeply subordinated

The Notes will constitute unsecured and deeply subordinated obligations of the Issuer. On any distribution of the assets of the Issuer on its dissolution, winding-up or liquidation (as further described in the definition of “Subordination Event” in Condition 3.4), and for so long as such Subordination Event subsists, the Issuer’s obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Subordinated Notes until all such Senior Obligations have been paid in full. Unless the Issuer has assets remaining after making all such payments, no payments will be made on the Notes. Consequently, although the Notes may pay a higher rate of interest than comparable notes which are

not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment on the occurrence of a Subordination Event.

Upon the occurrence of a Trigger Event, the principal amount of the Notes will be Written-Down

The Notes are being issued for regulatory capital adequacy purposes with the intention and purpose of being eligible as Additional Tier 1 capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions and which, in particular, require the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer and/or the Group.

Accordingly, if at any time the CET1 ratio of the Issuer and/or the Group, in each case as determined by the Issuer, falls below 5.125 per cent., the Prevailing Principal Amount of the Notes shall be Written-Down by the relevant Trigger Event Write-Down Amount (being the amount sufficient to restore the CET1 ratio of the Issuer and/or the Group, as the case may be, to at least 5.125 per cent. or otherwise to reduce such Prevailing Principal Amount to one cent), as described in Condition 6.1. Any Trigger Event Write-Down of the Notes will be effected, save as may otherwise be required by Applicable Banking Regulations, (i) such that each Note will be Written-Down *pro rata* with the other Notes and (ii) taking into account the write-down or conversion into equity of each other Trigger Event Loss Absorbing Instrument to the extent required to restore the CET1 Ratio of the Issuer and/or the Group to the lower of (A) the Specified Trigger Threshold of such other Trigger Event Loss Absorbing Instrument and (B) 5.125 per cent. (to the extent it is possible for such other Trigger Event Loss Absorbing Instruments to be written-down or converted into equity *pro rata* with any Trigger Event Write-Down of the Notes). Any such Trigger Event Write-Down of the Notes will not, therefore, take into account any further write-down or conversion of such other Trigger Event Loss Absorbing Instruments in accordance with their terms in determining any Trigger Event Write-Down Amount in respect of the Notes necessary to restore the CET1 ratio of the Issuer and/or the Group, as the case may be, to at least 5.125 per cent.

Noteholders may lose all or some of their investment as a result of such a reduction in the Prevailing Principal Amount of the Notes. The Trigger Event Write-Down of the Notes pursuant to Condition 6.1, together with any write-down or conversion to the extent possible of any other Trigger Event Loss Absorbing Instrument, may also result in the CET1 Ratio of the Issuer and/or the Group being restored to a level greater than the respective Trigger Event level, as all such instruments are intended to be written-down or converted into equity by at least the *pro rata* amount necessary to restore the CET1 Ratio of the Issuer and/or the Group to at least the Trigger Event level of 5.125 per cent. and the terms of certain instruments may require the further write-down or conversion of those instruments.

To the extent such write-down or conversion of any other Trigger Event Loss Absorbing Instrument is not possible for any reason, this shall not in any way impact on any Trigger Event Write-Down of the Notes. The only consequence shall be that the Notes will be Written-Down and the Trigger Event Write-Down Amount determined as provided below without taking into account any such write-down or conversion of such other Trigger Event Loss Absorbing Instrument.

A Trigger Event Write-Down of the Notes may occur at any time and on more than one occasion. Any such reduction of the Prevailing Principal Amount shall not constitute an event of default and, following such reduction, Noteholders' claims in respect of principal will, in all cases, be based on the reduced Prevailing Principal Amount to the extent the Prevailing Principal Amount has not subsequently been written up, as described in Condition 6.5.

In addition, any accrued and unpaid interest to (but excluding) the Trigger Event Write-Down Date in connection with any Trigger Event Write-Down as described above will be cancelled, and interest will only continue to accrue on the Prevailing Principal Amount of the Notes following such Trigger Event Write-Down, which interest will accrue on a Prevailing Principal Amount that is lower than the Initial Principal Amount of the Notes or, as the case may be, the Prevailing Principal Amount of the Notes immediately prior to such Trigger Event Write-Down.

Any redemption of the Notes on any Optional Redemption Date and upon the occurrence of a Tax Event or a Capital Disqualification Event following any such Trigger Event Write-Down will further be at the then Prevailing Principal Amount of the Notes, which may be lower than their Initial Principal Amount.

Following any such Trigger Event Write-Down, the Issuer will not in any circumstances be obliged to Write-Up the Prevailing Principal Amount of the Notes.

To the extent the Issuer does exercise its discretion to Write-Up the Notes, such Write-Up can only be undertaken as provided in Condition 6.5 and is subject to compliance with certain restrictions and Applicable Banking Regulations. A Write-Up may only occur if both a positive Solo Distributable Net Profit and a Consolidated Distributable Net Profit are recorded, and will be subject to the Maximum Distributable Amount. No Write-Up of the Notes will be effected: (i) if a Trigger Event has occurred in respect of which the Trigger Event Write-Down has not yet occurred, (ii) if a Trigger Event has occurred in respect of which the Trigger Event Write-Down has occurred but the CET 1 Capital Ratio of the Issuer and/or the Group has not been restored to at least 5.125 per cent., (iii) if the Write-Up (together with any corresponding write-up of all other Written-Down Additional Tier 1 Instruments of the Issuer or the Group that have terms providing for such write-up) would cause a Trigger Event to occur, (iv) if a Non-Viability Event has occurred at any time subsequent to a Trigger Event insofar as the amount of the Notes Written-Down pursuant to that Trigger Event is concerned or (v) in respect of any Written-Down Amount of the Notes that has been Written-Down pursuant to a Non-Viability Event Write-Down.

Investors should note that, the risk of a Trigger Event Write-Down is an appreciable risk and is not limited to the liquidation or bankruptcy of the Issuer. It may result in Noteholders losing some or all of their investment. Due to the limited circumstances in which a Write-Up may be undertaken, any reinstatement of the principal amount of the Notes and recovery of such investment may only take place over an extended period if at all (and, among other reasons and without limiting the complete discretion of the Issuer in relation to any Write-Up (including the amount of such Write-Up), and may not occur as a result of any prior redemption of the Notes at their Prevailing Principal Amount on any Reset Date or upon the occurrence of a Tax Event or a Capital Disqualification Event).

Any Trigger Event Write-Down of the Notes or any suggestion of a Trigger Event Write-Down could, therefore, materially adversely affect the rights of Noteholders, the price or value of the Notes issued and/or the amounts payable by the Issuer to in respect of the Notes. The Notes are also subject to loss absorption upon the occurrence of a Non-Viability Event, and such Non-Viability Event may occur prior to the occurrence of a Trigger Event (see “—*Potential Permanent Write-Down – The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer*”).

Potential Permanent Write-Down – The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer

If a Non-Viability Event occurs at any time, then the Issuer shall cancel any interest in respect of the Notes accrued and unpaid to (but excluding the date of occurrence of that Non-Viability Event (including if payable on such date) and:

- (a) *pro rata* with the other Notes and any other Parity Loss Absorbing Instruments; and
- (b) in conjunction with, and such that no Non-Viability Event Write-Down shall take place without there also being, the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of, or other absorption to the maximum extent possible under the laws of Turkey of the relevant loss(es) by, all Junior Obligations (including CET1 Capital (Çekirdek Sermaye)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations,

reduce the then Prevailing Principal amount of each Note by the relevant Non-Viability Event Write-Down Amount. For these purposes, any determination of a Non-Viability Event Write-Down Amount will take into account the absorption of the relevant loss(es) to the maximum extent possible by all Junior Obligations and the Writing Down of the Notes *pro rata* with any other Parity Loss-Absorbing Instruments, thereby maintaining the respective rankings of the Issuer’s obligations as described in Condition 3.1.

A Non-Viability Event is defined in Condition 6.6 as the determination by the BRSA that, upon the incurrence of a loss by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable. The Issuer is Non-Viable at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that (i) its operating licence is to be revoked and the Issuer liquidated or (ii) the rights of all of its shareholders, and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders.

Prior to any such determination of Non-Viability by the BRSA, there are a number of measures that may be taken by the BRSA under Articles 68 to 70 of the Banking Law as a form of early intervention including corrective, rehabilitative and restrictive measures. In addition to the measures referred to in those Articles, the BRSA may also request other measures. These may include the BRSA calling for an increase in the bank's own funds, which the BRSA may look for the bank to achieve through, among other things, the issue of further shares (whether to existing or new shareholders). The scope and manner of implementation of the measures described above that may be taken pursuant to Articles 68 to 70 of the Banking Law (No. 5411) will be decided solely by the Board of the BRSA. The transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF under Article 71 of the Banking Law (No. 5411) on the condition that losses are deducted from the capital of existing shareholders will also take place only upon the decision of the Board of the BRSA.

It is only (A) where such measures are not taken, or are taken but the bank's capital structure is not strengthened or the BRSA considers that the bank's capital structure cannot be strengthened, or (B) where the continuation of the bank is considered as endangering the position for deposit holders and the security and stability of the financial system, or (C) upon the default or insolvency of the bank or fraud of its management, that the BRSA is then authorised under Article 71 of the Banking Law (No. 5411) to make the relevant determination that the bank's operating licence is to be revoked and the bank liquidated or its shareholders rights and management and supervision are to be transferred to the SDIF.

In conjunction with any determination by the BRSA of the Issuer's Non-Viability, losses may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, on the condition that such loss(es) are deducted from the capital of the shareholders or (b) the revocation of the Issuer's operating licence and its liquidation. However, the Non-Viability Event Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.

Pursuant to the provision in the first paragraph of Condition 6.2, while the Notes may be Written-Down before any transfer or liquidation as described in the preceding paragraph, it is essential that the Non-Viability Event Write-Down takes place in conjunction with such transfer to the SDIF or revocation of the Issuer's operating licence and the possibility of its liquidation pursuant to Article 71 of the Banking Law (No. 5411) in order that the respective rankings described in Condition 3.1 are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. In this respect such action will be taken as is decided by the Board of the BRSA. Where a Non-Viability Event Write-Down of the Notes does take place before the liquidation of the Issuer, Noteholders would only be able to claim and prove in respect of the Prevailing Principal Amount of the outstanding Notes following the Non-Viability Event Write-Down. To the extent the Notes are Written-Down in full, Noteholders will have no further claim against the Issuer.

Notwithstanding the above, should the BRSA determine that the Notes are to be Written-Down before the absorption of the relevant loss(es) by shareholders of the Issuer pursuant to Article 71 of the Banking Law or any other Statutory Loss Absorption Measure, there can be no assurance that such loss absorption will take place or that it will be taken into account by the BRSA in the determination of the Non-Viability Event Write-Down Amount.

Should such loss absorption not take place or be so taken into account by the BRSA, subject as described in "*Limited Remedies – Investors will have limited Remedies under the Notes*" below, a Noteholder may institute proceedings against the Issuer to enforce the above provisions of the Notes. However, to the extent any judgment was obtained in the United Kingdom on the basis of English law as the governing law of the Notes (other than those provisions of the Conditions governed by Turkish law), there is uncertainty as to the

enforceability of any such judgment by the Turkish courts. In addition, there are certain circumstances in which the courts of Turkey might not enforce a judgment obtained in the courts of another country, which are more fully described under the section entitled “*Enforcement of Judgments and Service of Process*” on page 42 of the Base Prospectus. Therefore, there can be no assurance that a Noteholder would be able to enforce in Turkey any judgment obtained in the courts of another country in these circumstances.

Any Non-Viability Event Write-Down of the Notes would be permanent and Noteholders will have no further claim against the Issuer in respect of any amount of the Notes the subject of any Non-Viability Event Write-Down. In addition, a Non-Viability Event may occur prior to the occurrence of a Trigger Event. Consequently, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Noteholders, the market price of investments in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. See Condition 6 for further information on any such potential Non-Viability Event Write-Downs of the Notes.

Payments of interest on the Notes are discretionary and subject to the fulfilment of certain conditions

The Notes accrue interest as further described in Condition 5, but the Issuer may elect, in its sole and absolute discretion, to cancel any payment of interest which is otherwise scheduled to be paid on an Interest Payment Date in whole or in part at any time and for any reason. Payments of interest in respect of the Notes shall be made only out of Distributable Items of the Issuer (for further information regarding Distributable Items, see “*Risk Management—Capital Management*” in the Base Prospectus and paragraph (a) of “*Additional Information – Turkish Regulatory Environment*” below). To the extent that (i) the Issuer has insufficient Distributable Items to make any payment of interest in respect of the Notes scheduled for payment in the then current financial year and any other interest payments or distributions paid and/or required and/or scheduled to be paid out of Distributable Items in such financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Issuer, and/or (ii) the BRSA, in accordance with Applicable Banking Regulations then in force, requires the Issuer to cancel the relevant payment of interest in respect of the Notes in whole or in part, then the Issuer will, without prejudice to the right above to cancel all such payments of interest in respect of the Notes, make partial or, as the case may be, no such payment of interest in respect of the Notes.

Moreover, no payment of interest will be made in respect of the Notes if and to the extent that such payment (i) would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group to be exceeded provided that a partial payment of interest may be made to the extent that such partial payment does not cause the relevant Maximum Distributable Amount to be exceeded; or (ii) would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Instruments pursuant to Applicable Banking Regulations. The calculation of the Maximum Distributable Amount is a complex calculation, which is subject to requirements applicable at the relevant time, and any shortfalls in CET1 capital, Additional Tier 1 capital and Tier 2 capital will affect this calculation. Further, from time to time, as the BRSA has the authority to impose additional capital adequacy ratio requirements on a bank-by-bank basis, by taking into account their internal systems, their assets and financial structure or otherwise as a result of the ICAAP process, the applicable capital adequacy ratios applicable as of the date of this Prospectus for the purposes of calculation of the Maximum Distributable Amount may change. For further information regarding the Maximum Distributable Amount, see paragraph (a) of “*Additional Information – Turkish Regulatory Environment*”.

There can, therefore, be no assurances that a Noteholder will receive payments of interest in respect of the Notes. Unpaid interest is not cumulative or payable at any time thereafter and, accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes as a result of any election of the Issuer to cancel such payment of interest then the right of the Noteholders to receive the relevant interest payment (or part thereof) will be extinguished and the Issuer will have no obligation to pay such interest (or part thereof) or to pay any interest thereon, whether or not interest on the Notes is paid in respect of any future Interest Period.

No such election to cancel the payment of any interest (or part thereof) or non-payment of any interest (or part thereof) will constitute an event of default or the occurrence of any event related to the bankruptcy or insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or insolvent or for the dissolution, winding-up or liquidation of the Issuer or in any way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with

any Junior Obligation or Parity Obligation other than payments to shareholders of the Issuer, which payments shall be subject to the provisions of Condition 5.11.

If, as a result of any of the conditions set out above being applicable, only part of any interest on the Notes may be paid, the Issuer may proceed, in its sole discretion, to make such partial interest payments under the Notes.

Furthermore, upon the occurrence of the Trigger Event or a Non-Viability Event, any accrued and unpaid interest on the Notes will be cancelled.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that, for example, the Issuer may not have sufficient Distributable Items or of the application of a Maximum Distributable Amount may have an adverse effect on the market price of the Notes.

The circumstances that may give rise to the Trigger Event or the cancellation of any payment of interest on the Notes are unpredictable

The occurrence of the Trigger Event and the cancellation of any payment of interest on the Notes is inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control. For example, the occurrence of one or more of the risks described in "*Risk Factors - Risks Related to the Group's Business*" in the Base Prospectus, or the deterioration of the circumstances described therein, will substantially increase the likelihood of the occurrence of the Trigger Event or the cancellation of any payment of interest on the Notes. Furthermore, the occurrence of the Trigger Event depends, in part, on the calculation of the CET1 Ratio (which is to be determined by the Issuer) and payments of interest in respect of the Notes shall be made only out of Distributable Items and subject to any Maximum Distributable Amount not being exceeded as a result of any such payment, each of which can be affected, among other things, by the growth of the business and future earnings of the Issuer and/or the Group, as applicable; expected payments by the Issuer and/or the Group, as applicable, in respect of dividends and distributions and other equivalent payments in respect of instruments ranking junior to the Notes as well as other Additional Tier 1 Instruments; regulatory changes (including, in the case of the calculation of the CET1 Ratio and any Maximum Distributable Amount, possible changes in regulatory capital definitions and calculations, and the definition and calculation of risk weighted assets, and, in the case of Distributable Items, possible changes in the items eligible for such distribution, as well as reserve requirements) and, for the purposes of the CET1 Ratio and any Maximum Distributable Amount, the Issuer's ability to actively manage the risk weighted assets of the Issuer and the Group. The usual reporting cycle of the Issuer is for the CET1 Ratio of the Issuer and the Group to be reported on a quarterly basis in conjunction with its interim financial statements, which may mean investors are given limited warning of any significant deterioration in the CET1 Ratio. In addition, since the BRSA may require the Bank to calculate the CET1 Ratio at any time, the Trigger Event could occur at any time. The availability of Distributable Items for any interest payments and the making of such payments being subject to a Maximum Distributable Amount could also change at any time and with limited warning.

The CET1 Ratio and any Maximum Distributable Amount of the Issuer and/or the Group will also depend on the Issuer's decisions relating to its businesses and operations, as well as the management of its capital position, and may be affected by changes in applicable accounting rules (including, but not limited to, the introduction of TFRS 9) or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. The Distributable Items of the Issuer will further depend on such decisions, as well as those relating to payments in respect of dividends, distributions and other equivalent payments, as well as changes in applicable accounting rules and similar regulatory adjustments. For example, the Issuer may decide not to, or not be able to, raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event or the cancellation of interest payments as a result of a Maximum Distributable Amount otherwise being exceeded. The Issuer may also decide to pay a dividend even if that would result in the subsequent cancellation of any interest payment in respect of the Notes. See also "*Risk Factors - Risks Related to the Group's Business*" in the Base Prospectus for further developments, circumstances and events which may impact the CET1 Ratio of the Issuer and/or the Group and/or result in the cancellation of interest payments in respect of the Notes.

Due to the inherent uncertainty in advance of any determination of a Trigger Event or cancellation of any interest payment in respect of the Notes regarding whether any such Trigger Event may exist or interest payment may be cancelled, it will be difficult to predict when, if at all, the Notes will be subject to a Trigger Event Write-Down or cancellation of an interest payment. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow trading behaviour associated with other types of interest-bearing securities. Any indication that the Issuer and/or the Group, as applicable, is trending towards the Trigger Event or the cancellation of interest payments in respect of the Notes can be expected to have an adverse effect on the market price of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices comparable to other similar yielding instruments.

Holders will bear the risk of movements in the CET1 Ratio of the Issuer and the Group that could give rise to the occurrence of the Trigger Event and the availability of Distributable Items or application of any Maximum Distributable Amount that could give rise to any cancellation of interest payments

The market price of the Notes is expected to be affected by movements in the CET1 Ratio of the Issuer and the Group, and the availability of Distributable Items and application of any Maximum Distributable Amount, including, in particular, if at any time there is a significant deterioration in any such CET1 Ratio, the availability of sufficient Distributable Items for the making of any interest payments together with any other payments to be made from Distributable Items or so as to result in the possible application of a Maximum Distributable Amount. Any indication that the CET1 Ratio of the Issuer or the Group is trending towards occurrence of the Trigger Event or that the Issuer is trending towards the cancellation of interest payments in respect of the Notes may have an adverse effect on the market price of the Notes. The level of the CET1 Ratio and Distributable Items, as well as the relevant capital of the Bank and/or the Group for the purposes of any Maximum Distributable Amount may also significantly affect the market price of the Notes.

Perpetual Notes

The Issuer is under no obligation to redeem the Notes at any time and the Noteholders have no right to call for their redemption. The only circumstances in which Noteholders may claim payment in respect of the Notes is in the winding-up, dissolution or liquidation of the Issuer (see “—*Limited Remedies – Investors will have limited remedies under the Notes*” below).

Early Redemption – The Notes may be subject to early redemption at the option of the Issuer

The Issuer will have the right to redeem the outstanding Notes at their then Prevailing Principal Amount together with interest accrued to (but excluding) the relevant Reset Date, subject (if required by applicable law) to having obtained the prior approval of the BRSA in accordance with Condition 8.2 of the Notes, with any such redemption subject to the conditions under Article 7(2)(d) of the Equity Regulation that (i) the Notes are replaced with an equivalent, or higher, quality of capital, and such replacement does not restrict the Issuer’s ability to continue its operations and (ii) the Issuer continues to satisfy its applicable capital requirements following the exercise of the redemption option. Also, the Issuer shall have the right to redeem the Notes pursuant to this optional redemption feature following a Write-Down before the Prevailing Principal Amount has been restored to the Initial Principal Amount (including where such Write-Down occurs following the delivery to the Noteholders of a notice of redemption and prior to the relevant redemption of the Notes). Accordingly, Noteholders risk receiving only the amount of principal so reduced by the Write-Down.

This optional redemption feature is likely to limit the market value of the Notes during the period in which the Issuer may elect or is perceived to be able to elect so to redeem them, as the market value during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to such period.

An investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and might 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.

Substitution and variation of the Notes without Holder consent

Subject to Condition 8.5, if a Tax Event or a Capital Disqualification Event occurs, the Issuer may, instead of redeeming the Notes, at any time either substitute the Notes or vary their terms accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Additional Tier 1 Securities. Qualifying Additional

Tier 1 Securities are, among other things, notes that have terms not materially less favourable to a Noteholder, as reasonably determined by the Issuer following the advice of an independent financial institution of international standing, than the terms of the Notes as specified in Condition 8.5.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Additional Tier 1 Securities will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Additional Tier 1 Securities are not materially less favourable to Noteholders than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

Holder of the Notes only have a limited ability to cash in their investment in the Notes

The Issuer has the option to redeem the Notes in certain circumstances but the ability of the Issuer to redeem or purchase the Notes is subject to the Issuer satisfying certain conditions. See “—*Early Redemption - The Notes may be subject to early redemption at the option of the Issuer*” below and Condition 8. There can be no assurance that Noteholders will be able to reinvest the amount received upon any such redemption and at a rate that will provide the same rate of return as their investment in the Notes.

Therefore, Noteholders have no ability to cash in their investment, except:

- (i) if the Issuer exercises its right to redeem or purchase the Notes in accordance with Condition 8; or
- (ii) by selling their Notes, provided a secondary market exists at the relevant time for the Notes (see “—*Risks Related to the Market Generally - No Secondary Market – An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*” in the Base Prospectus).

No Limits on Senior or Parity Obligations – There will be no limitation under the documents relating to the issuance of the Notes on the Issuer’s incurrence of Senior Obligations or Parity Obligations

There is no restriction in the documents relating to the issuance of the Notes on the amount of Senior Obligations or Parity Obligations that the Issuer may incur. The incurrence of any such obligations may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Issuer and may result in an investor in the Notes losing all or some of its investment.

Limited Remedies – Investors will have limited remedies under the Notes

A holder of a Note will only be able to accelerate payment of the Prevailing Principal Amount of that Note, together with interest accrued and unpaid to the date of repayment (if not cancelled pursuant to Condition 5), on the occurrence of a Subordination Event or otherwise on the winding-up, dissolution or liquidation of the Issuer as described in Condition 11 and then claim or prove in the winding-up, dissolution or liquidation. Noteholders may institute proceedings against the Issuer as described in Condition 11 to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes) but will not have any other right of acceleration under the Notes, whether in respect of any default in payment or otherwise, and the only remedy of a Noteholder on any default in a payment on the Notes will be to institute proceedings for the Issuer’s winding-up, dissolution or liquidation as described in Condition 11 and to prove in the winding-up, dissolution or liquidation.

No other remedy will be available to Noteholders against the Issuer, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes, and Noteholders will not be able to take any further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes.

In addition, in accordance with Condition 3.2, all payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. By virtue of the subordination of the Notes, following a Subordination Event and for so long as that

Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

Reset Interest Rate – The interest rate on the Notes will be reset on each Reset Date, which could affect interest payments on an investment in the Notes and the market price of any such investment

The Notes will initially bear interest at the Initial Interest Rate to (but excluding) the First Reset Date. On each Reset Date, the Rate of Interest will be reset to the Reset Interest Rate, all as more fully described in Condition 5. Any Reset Interest Rate could be less than the Initial Interest Rate and thus could affect the market price of an investment in the Notes.

National and international regulatory reform in relation to benchmarks could have an adverse effect on the value and liquidity of and return on the Notes during each Reset Period

So-called benchmarks such as ISDAFIX (now restructured and renamed the ICE Swap Rate) referenced swap rates and other indices which are deemed “benchmarks” (each a “**Benchmark**” and together, the “**Benchmarks**”), to which the interest on the Notes during each Reset Period is linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. International proposals for reform of Benchmarks include the European Council’s regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds which was published in the official journal on 29 June 2016.

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

Any changes to a Benchmark as a result of the Benchmark Regulation, the discontinuation of LIBOR or other initiatives, could require an adjustment to the terms and conditions of the Notes or result in other consequences, in respect of the Notes. For example, if LIBOR were discontinued or otherwise unavailable, the 5 Year Mid-Swap Rate to be used in the determination of the Reset Interest Rate on each Reset Date is based on a LIBOR rate and if the 5 Year Mid-Swap Rate does not appear on the Screen Page as of the Relevant Time the determination of the 5 Year Mid-Swap Rate may be reliant on the provision of offered quotations for the equivalent of a LIBOR rate by the Reference Banks which may not operate as intended and, depending on market circumstances, may not be available at the relevant time. This may result in the effective application of a fixed rate based on the rate or rates which applied or were offered in the previous Reset Period when such Benchmark was available or, if none, the Initial Interest Rate. Investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value or liquidity of and the amount payable under the Notes.

Redemption upon a Capital Disqualification Event – The Issuer will have the right to redeem the Notes upon the occurrence of a Capital Disqualification Event

The Issuer will have the right to redeem the outstanding Notes at their then Prevailing Principal Amount and accrued interest upon the occurrence of a Capital Disqualification Event. Upon such redemption, the investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. Also, the Issuer shall have the right to redeem the Notes following a Write-Down upon the occurrence of a Capital Disqualification Event before the Prevailing Principal Amount has been restored to the Initial Principal Amount (including where such Write-Down occurs following the delivery to the Noteholders of a notice of redemption and prior to the relevant redemption of the Notes). Accordingly, Noteholders risk only receiving the amount of principal so reduced by the Write-Down.

This optional redemption feature is also likely to limit the market value of the Notes during any period in which the Issuer may elect or is perceived to be able to elect to redeem them, as the market value during this

period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to any such period.

There can be no assurance that Noteholders will be able to reinvest the amount received upon any such redemption and at a rate that will provide the same rate of return as their investment in the Notes.

Redemption for Taxation Reasons – The Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay increased withholding taxes with respect to interest or other payments on the Notes or which result in it no longer being entitled to claim a deduction in calculating its tax liability in respect of the payment of interest or the value of such deduction being reduced

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree 2009/14592 dated 12 January 2009, which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the "**Tax Decrees**"). Pursuant to the Tax Decrees, with respect to bonds with a maturity of five years or more, the withholding tax rate on interest is 0 per cent. Accordingly, the initial withholding tax rate on interest on the Notes will be 0 per cent. The Issuer is also entitled to claim a deduction in calculating its tax liability under Turkish tax law in respect of payments of interest on the Notes.

The Issuer will have the right to redeem all, but not some only, of the Notes, subject to having obtained the prior approval of the BRSA (see "*Early Redemption – The Notes may be subject to early redemption at the option of the Issuer*" above for a description of the conditions for any such approval of the BRSA), at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption if, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change, clarification or amendment becomes effective after 15 January 2019, on the next Interest Payment Date, the Issuer would:

- (a) 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, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 15 January 2019, is reduced.

Upon notice of such a redemption being given, investors in the Notes might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the Notes.

Also, the Issuer shall have the right to redeem the Notes pursuant to this redemption feature following a Write-Down before the Prevailing Principal Amount has been restored to the Initial Principal Amount (including where such Write-Down occurs following the delivery to the Noteholders of a notice of redemption and prior to the relevant redemption of the Notes). Accordingly, Noteholders risk only receiving the amount of principal so reduced by the Write-Down.

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

There can be no assurance that Noteholders will be able to reinvest the amount received upon any such redemption and at a rate that will provide the same rate of return as their investment in the Notes.

The Issuer's interests may not be aligned with those of investors in the Notes

The CET1 Ratio, Distributable Items and any Maximum Distributable Amount will depend in part on decisions made by the Issuer (including its shareholders, see “—*The Group is controlled by two large shareholders and has business with related parties*” in the Base Prospectus) and other entities in the Group relating to their businesses and operations, as well as the management of their capital position. The Issuer and other entities in the Group will have no obligation to consider the interests of Noteholders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities in the Group and the Group's structure. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Noteholders will not have any claim against the Issuer or any other entity in the Group relating to decisions that affect the capital position of the Group, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Noteholders to lose all or part of their investment in the Notes.

Modification, waivers and substitution

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

The shareholders of KFS (Koç Holding and UniCredit) may purchase up to 80% of the Notes offered. Koç Holding and UniCredit have agreed with the Issuer not to sell or otherwise transfer or dispose of, directly or indirectly, other than any transfer to any of their affiliates, any of their interests in any Notes purchased in the initial offering of the Notes for a period of 180 days from the Issue Date. Under the Agency Agreement, there is no restriction on the exercise of voting rights with respect to the Notes held by the Controlling Shareholders (as defined in Condition 15.1) (which as of the date of this Prospectus are KFS, Koç Holding and UniCredit) and their Affiliates, but provision is included for the quorum at any meeting for passing an Extraordinary Resolution to effect any Reserved Matter (as defined in Condition 15.1) for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held directly or indirectly by any of the Controlling Shareholders and their Affiliates to be subject to persons holding or representing Notes held by persons other than the Controlling Shareholders and their Affiliates being at such meeting as further set out in Condition 15.1. For such an Extraordinary Resolution to be passed it must also be passed by a majority voting in respect of the Notes held by persons that are not the Controlling Shareholders or any of their Affiliates. For further information, see Condition 15.1. The interests of the shareholders of KFS may differ from the interests of other Noteholders and the above provisions by which additional requirements for the quorum at any meeting the business of which includes the passing of an Extraordinary Resolution to effect any Reserved Matter will not apply where the Controlling Shareholders and their Affiliates hold directly or indirectly less than a majority of the Prevailing Principal Amount of the Notes for the time being outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the sections of the Base Prospectus of the Bank dated 4 September 2018 relating to the Programme, entitled as set out in the table below:

	Page references (inclusive)
Available Information	iii
Presentation of Financial and Other Information	iv to viii
Cautionary Statement Regarding Forward Looking Statements	ix to x
Risk Factors	1 to 41
Enforcement of Judgments and Service of Process	42
Overview of the Group and the Programme – Overview of the Bank	46 to 47
Form of the Notes	53 to 55
Book-Entry Clearance Systems	56 to 59
Use of Proceeds	104
Selected Financial Information	105 to 109
Exchange Rates	110
Capitalisation of the Bank	111
Management’s Discussion and Analysis of Financial Condition and Results of Operations	112 to 170
Selected Statistical and Other Information	171 to 181
Business of the Bank	182 to 214
Risk Management	215 to 238
Management	239 to 248
Share Capital and Ownership	249 to 250
Related Party Transactions	251 to 254
Turkish Banking System	255 to 260
Turkish Regulatory Environment	261 to 284
Taxation	285 to 296
Certain ERISA Considerations	297 to 298
Subscription and Sale and Transfer and Selling Restrictions	299 to 309
Appendix 1 Overview of Significant Differences Between IFRS and BRSA Accounting Principles	315

which is published on the website of Euronext Dublin at:

https://www.ise.ie/debt_documents/Base%20Prospectus_8a7c4f7b-0dfb-47d9-b7c7-0a70a2d76708.PDF;

- (b) the First Supplement to the Base Prospectus dated 13 November 2018 which is published on the website of Euronext Dublin at:

https://www.ise.ie/debt_documents/Supplements_32f8ebda-25cd-4eb0-8255-78b7da8b6c74.PDF;

- (c) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the nine month period ended 30 September 2018 and the review report of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of PricewaterhouseCoopers International Limited) (“PwC”) thereon, which are published on the Bank’s website at:

https://www.yapikredi.com.tr/medium/file/30-september-2018-consolidated-financials_48908/download

- (d) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the six month period ended 30 June 2018 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2018-consolidated-financials_46880/download;
- (e) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the three month period ended 31 March 2018 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2018-consolidated-financials_44760/download;
- (f) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-december-2017-consolidated-financials_42455/download;
- (g) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the nine month period ended 30 September 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2017-consolidated-financials_39349/download;
- (h) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the six month period ended 30 June 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2017-consolidated-financials_36927/download;
- (i) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the three month period ended 31 March 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2017-consolidated-financials_33553/download;
- (j) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-december-2016-consolidated-financials_31247/download;
- (k) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the nine month period ended 30 September 2016 (with 30 September 2015 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2016-consolidated-financials_27873/download;
- (l) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the six month period ended 30 June 2016 (with 30 June 2015 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2016-signed_25768/download;
- (m) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the three month period ended 31 March 2016 (with 31 March 2015

comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2016-signed_25016/download;

- (n) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2015 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2015-signed_23945/download.aspx;

- (o) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the nine month period ended 30 September 2015 (with 30 September 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2015-signed_22688/download;

- (p) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the six month period ended 30 June 2015 (with 30 June 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2015-signed_21941/download;

- (q) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the three month period ended 31 March 2015 (with 31 March 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2015-signed_20621/download;

- (r) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2018 (with 30 September 2017 comparatives) and the review report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2018-unconsolidated-financials_48912/download;

- (s) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2018 (with 30 June 2017 comparatives) and the review report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2018-unconsolidated-financials_46882/download;

- (t) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2018 (with 31 March 2017 comparatives) and the review report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2018-unconsolidated-financials_44650/download;

- (u) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2017-unconsolidated-financials_42454/download;

- (v) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2017 (with 30 September

2016 comparatives) and the audit report of PwC thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2017-unconsolidated-financials_39348/download;

- (w) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2017 (with 30 June 2016 comparatives) and the review report of PwC thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2017-unconsolidated-financials_36928/download;

- (x) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2017 (with 31 March 2016 comparatives) and the review report of PwC thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2017-unconsolidated-financials_33532/download;

- (y) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2016-unconsolidated-financials_31248/download;

- (z) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2016 (with 30 September 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2016-unconsolidated-financials_27875/download;

- (aa) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2016 (with 31 June 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2016-signed_25774/download;

- (bb) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2016 (with 31 March 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2016-signed_27325/download;

- (cc) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2015 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2015-signed_23947/download.aspx;

- (dd) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2015 (with 30 September 2014 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2015_22691/download;

- (ee) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2015 (with 30 June 2014 comparatives) and the audit report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2015_21927/download;

- (ff) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2015 (with 31 March 2014 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2015_20619/download.

No other part of the Bank's website forms a part of, or is incorporated into, this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

Printed copies of the documents incorporated by reference will also be available, during usual business hours on any workday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Fiscal Agent and at the registered office of the Issuer.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus.

ADDITIONAL INFORMATION

Turkish Regulatory Environment

The section entitled “*Turkish Regulatory Environment*” on pages 261 to 284 (inclusive) of the Base Prospectus is incorporated herein by reference. For the purposes of the Notes and this Prospectus only, investors should read the following two paragraphs entitled “*Additional Tier 1 Rules under Turkish Law*” and “*Distributable Items and Restrictions on Dividend Distribution*” in addition to the section entitled “*Turkish Regulatory Environment*” in the Base Prospectus:

Additional Tier 1 Rules under Turkish Law

Permanent write-down or conversion into equity of Additional Tier 1 instruments upon a determination of non-viability by the BRSA or if the Common Equity Tier 1 capital adequacy ratio or the consolidated Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%

Under Article 7(2)(i) of the Equity Regulation, in order for a debt instrument to constitute Additional Tier 1 capital, the bank must be entitled, pursuant to the terms of that debt instrument, to write-down or convert into equity such debt instrument, if (i) the Common Equity Tier 1 capital adequacy ratio or (ii) the consolidated Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%, in which case the bank shall promptly notify the BRSA. In such a case, an amount of the debt instruments must be written-down or converted into equity so as to restore the Common Equity Tier 1 capital adequacy ratio or the consolidated Common Equity Tier 1 capital adequacy ratio of the bank to at least 5.125%. As a result of the write-down:

- the claims of the holders of the debt instrument must be reducible in the event of liquidation of the bank;
- the amount payable must be reducible in the event of exercise of the redemption option; and
- dividend or interest payments must be partially or completely cancellable.

Under Article 7(2)(j) of the Equity Regulation, in order for a debt instrument to constitute Additional Tier 1 capital it should be possible, pursuant to the terms of that debt instrument, for the debt instrument to be written-down or converted into equity, upon the decision of the BRSA in the event that it is probable that (i) the bank’s operating licence may be revoked or (ii) shareholder rights (other than dividend rights), and the management and supervision of the bank, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law.

Prior to any determination of non-viability of a bank under Article 71 of the Banking Law, or the Common Equity Tier 1 capital adequacy ratio or the consolidated Common Equity Tier 1 capital adequacy ratio of a bank falling below 5.125%, in accordance with Articles 68, 69 and 70 of the Banking Law, the BRSA may require a number of corrective, rehabilitative and restrictive measures to be taken by the bank, including, without limitation, the following:

- *Article 68 (Corrective measures)*: the corrective measures that the BRSA may require the bank to take under Article 68 of the Banking Law may include an increase in the capital of the bank, a temporary suspension on the distribution of profits, the sale of assets, restrictions on lending to the shareholders and restrictions on long-term investments;
- *Article 69 (Rehabilitative measures)*: where the measures under Article 68 of the Banking Law are either not taken or are considered by the BRSA to be insufficient the BRSA may, under Article 69 of the Banking Law, require the bank to take certain rehabilitative measures including changes to the financial structure, an increase in capital adequacy and/or liquidity ratios, the sale of assets, restrictions on operational and management expenditure, restrictions on variable payments to employees, restrictions or prohibition on lending, changes to the board of directors and responsible employees and the preparation of short to long term business plans; and

- *Article 70 (Restrictive measures)*: where the measures under Articles 68 and 69 of the Banking Law are either not taken or are considered by the BRSA to be insufficient, the BRSA may, under Article 70 of the Banking Law, require the bank to take certain restrictive measures including restricting or temporarily suspending activities, dismissal of management, limiting or ceasing its non-performing operations, disposal of its non-performing assets, merger with another bank and the finding of new shareholders.

It is only where the BRSA determines that (a) such measures are not taken (partially or completely) either within the time period required by the BRSA or, in any case, within 12 months following BRSA's request to take the necessary measure(s), or are taken but the bank's financial structure is not strengthened or the BRSA considers that the bank's financial structure cannot be strengthened; or (b) the continuation of the activities of such bank is considered as endangering the rights of deposit holders and the security and stability of the financial system; or (c) the bank is in default, is insolvent, or its management or controlling shareholders have utilised such bank's resources for their own interests, directly, 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, that the BRSA is then authorised under Article 71 of the Banking Law to make the determination of non-viability of a bank.

Additional Tier 1 Rules

According to the Equity Regulation, Additional Tier 1 capital shall be calculated by subtracting capital deductions from the sum of (i) preferred shares that are not included in Common Equity Tier 1 capital (save for such shares which require the distribution of dividends in the future); (ii) share premiums resulting from the issue of the preferred shares under (i); and, (iii) the debt instruments that have been approved by the BRSA and related issuance premiums.

The Equity Regulation sets out that, in order for a debt instrument to be included in the calculation of Additional Tier 1 capital, the following conditions will need to be met (the "**Additional Tier 1 Conditions**"):

- (i) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;
- (ii) in the event of dissolution of the bank, shall be subordinated with respect to the debt instruments that are included in Tier 2 capital and rights of deposit holders and all other creditors;
- (iii) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (ii) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;
- (iv) the debt instrument shall not have a maturity and shall not include any provision that may incentivise redemption, such as dividends and increase of interest rate;
- (v) if the debt instrument includes a redemption 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:
 - (1) the bank should not create any market expectation that the option will be exercised by the bank,
 - (2) 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
 - (3) 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 Capital Maintenance and Cyclical Capital Buffer,

(B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a redemption option may be exercised; provided that the above conditions in this clause (v) are met and the BRSA approves;

- (vi) the redemption of the principal shall be subject to approval of the BRSA, in which case the BRSA would seek the conditions stated in clause (v) to be met;
- (vii) the bank must be entitled to cancel the interest and dividend payments and if it exercises such right, it shall not have an obligation to pay the difference between the amount set out in the terms of that debt instrument and the amount actually paid in the subsequent periods (even in case of non-payment), cancellation of payments shall not be considered as default, the bank must be entitled to use at its own discretion the amounts corresponding to the cancelled payments, and the cancellation shall not have any effect restricting the bank, except for the payments to be made to the shareholders;
- (viii) the dividend and interest payments shall be made out of distributable items;
- (ix) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the bank;
- (x) the debt instrument shall not be: (1) purchased by the bank or by corporations controlled by the bank or significantly under the influence of the bank, (2) assigned to such entities, or (3) in respect of its purchase, directly or indirectly financed by the bank itself;
- (xi) the debt instrument shall not possess any features hindering the issuance of new equity items;
- (xii) the bank must be entitled, pursuant to the terms of that debt instrument, to write-down or convert into equity the debt instrument, if the Common Equity Tier 1 capital adequacy ratio or the consolidated Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%, in which case the bank shall promptly notify the BRSA. An amount of the debt instruments must be written-down or converted into equity such that the Common Equity Tier 1 capital adequacy ratio or the consolidated Common Equity Tier 1 capital adequacy ratio reaches at least 5.125% (see “—*Potential Permanent Write-Down—The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer*” above). As a result of the write-down:
 - (1) the claims of the holders of the debt instrument must be reducible in the event of liquidation;
 - (2) the amount payable must be reducible in the event of exercise of the redemption option; and
 - (3) dividend or interest payments must be partially or completely cancellable.
- (xiii) in the event it is probable that as a result of the losses it incurs (1) the bank's operating licence may be revoked or (2) shareholder rights (other than dividend rights), and the management and supervision of the bank, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law, then the debt instrument may be subject to set-off against such losses, written-down or converted into equity upon the decision of the BRSA (see “—*Potential Permanent Write-Down—The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer*” above); and
- (xiv) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the proceeds obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank, with such application accompanied by a written statement from the board of directors of the applicable bank confirming that all of the Additional Tier 1 Conditions are met (except for the requirements that they are issued and that they are approved by the CMB), may also be included in the calculation of Additional Tier 1 capital.

The BRSA may also require other conditions in addition to the Additional Tier 1 Conditions to be met in respect of a debt instrument, including in connection with the procedures relating to the write down or conversion into equity of the debt instrument.

Applications to include debt instruments or loans in the calculation of Additional Tier 1 capital are required to be accompanied with the CMB registration letter and the terms of the debt instrument or the original copy or a notarised copy of the applicable loan agreement(s), as the case may be. If an applicable loan agreement is not yet signed, a draft of such agreement is filed with the BRSA. If the terms of the executed loan agreement or issued debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors of the applicable bank confirming that such difference does not affect Additional Tier 1 capital qualifications is required to be submitted to the BRSA within five business days of the signing of such loan agreement or the issuance date of such debt instrument. If the interest rate is not explicitly indicated in the loan agreement or the prospectus relating to the debt instrument (*borçlanma aracı izahnamesi*), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA may not authorise the inclusion of the loan or debt instrument in the calculation of Additional Tier 1 capital.

Debt instruments and loans that are approved by the BRSA are included in the calculation of Additional Tier 1 capital as of the date of transfer to the relevant accounts in the applicable bank's records. When applying the measures set out under Article 71 of the Banking Law, the BRSA shall not take into account as liabilities the debt instruments and loans included in the calculation of Additional Tier 1 capital of the bank.

BRSA Communiqué on the Debt Instruments Included in the Equity Calculation of the Banks

Paragraph 9 of Article 7 of the Equity Regulation provides that the BRSA is to determine the rules and procedures with respect to the write-down or conversion into equity of the debt instruments included in the Additional Tier 1 capital calculation of the banks. Accordingly, on 7 June 2018, the BRSA published the Communiqué on Debt Instruments to be Included in the Equity Calculation of the Banks (the “**Regulatory Capital Communiqué**”) in the Official Gazette dated 7 June 2018 and numbered 30444, which entered into force upon its publication. The Regulatory Capital Communiqué is intended to align the Turkish Additional Tier 1 framework with the European practice and imposes certain new requirements on the issuers.

In this regard, Article 4 of the Regulatory Capital Communiqué introduces a new requirement for issuers of Additional Tier 1 or Tier 2 debt instruments to mandate a locally licensed independent auditor to provide an opinion to the BRSA, confirming that the terms and conditions of the Additional Tier 1 or Tier 2 debt instruments, as the case may be, are in full compliance with the requirements set forth under Article 7 or Article 8 of the Equity Regulation, as applicable.

Further, the Regulatory Capital Communiqué stipulates that the debt instruments included in Additional Tier 1 capital of the banks come before the debt instruments included in Tier 2 capital of the banks, in terms of write-off, write-down or conversion into equity. The nominal value of the debt instruments is to be taken into account for determination of the amount to be written-off, written-down or converted into equity.

If there are multiple debt instruments included in Additional Tier 1 capital of the bank; the write-off, write-down or conversion into equity is to be carried out *pro rata* for each debt instrument included in Additional Tier 1 capital of the bank, by taking into account each debt instrument's portion in the total value of the debt instruments included in Additional Tier 1 capital of the bank. The same provision applies for the debt instruments included in Tier 2 capital of the bank. Dividend distribution for, prepayment or early redemption of, the debt instruments included in equity calculation, converted into equity or written-down, is to take into account the outstanding amount after the conversion into equity or write-down.

The Regulatory Capital Communiqué provides for a temporary-write down of the AT1 debt instruments upon occurrence of a trigger event (i.e., the Common Equity Tier I ratio of a bank falling below 5.125% on a solo and consolidated basis). In terms of the temporary write-down procedure, a bank is required to immediately notify the BRSA and the holders of such debt instrument of the occurrence of a trigger event. An issuer will have one month from the occurrence of a trigger event to decide whether it will make a permanent and/or temporary write-down of the Additional Tier 1 debt instruments and to determine the amount of such temporary/permanent written-down or conversion into equity, without prejudice to any authority that the Banking Law grants to the BRSA. The BRSA is entitled to change such period of one (1) month, if it deems necessary.

According to the Regulatory Capital Communiqué, a write-up is not possible for the debt instruments constituting Additional Tier 1 capital or Tier 2 capital, which have been written-down or converted into equity, upon the decision of the BRSA due to the probability of (i) revocation of the bank's operating licence or (ii) transfer to the SDIF of the shareholder rights (other than dividend rights), and the management and supervision of the bank, in each case pursuant to Article 71 of the Banking Law.

The Regulatory Capital Communiqué, however, allows the issuers to effect a write-up, provided that the following conditions are satisfied:

- the write-up subsequent to a temporary write-down must be made on the net profit of the issuer generated within its current accounting period;
- the sum of the maximum write-up amount and the dividend or coupon payments to be made over the written-down principal amount must not be more than the distributable net profit of the issuer multiplied by the sum of the aggregate initial principal amount of the Additional Tier 1 debt instruments and the aggregate initial principal amount of all written-down debt instruments of the issuer, divided by the total Tier 1 capital of the issuer. This calculation is to be made as of the date of the write-up;
- The write-up must be made on a *pro rata* basis with other written-down Additional Tier 1 debt instruments of the issuer; and
- the sum of any write-up amount, coupon and dividend payments over the written-down debt instruments will be treated as dividend payments, which will be subject to the restrictions relating to distributions and the maximum distributable amount restrictions.

The Regulatory Capital Communiqué has introduced certain requirements for implementation of conversion into equity option, as well. Accordingly:

- in order for an issuer to issue regulatory capital debt instruments with the conversion into equity mechanism, the issuer must have obtained a general assembly of shareholders resolution prior to the issuance;
- the issuer must have obtained all requisite consents to ensure that equity issuance as set forth under the agreement for debt instrument/issuance certificate is promptly effected once the "conversion into equity" requirement has arisen;
- regulatory capital debt instruments cannot be converted into preferred shares;
- the agreement for debt instrument/issuance certificate must include the following item (iii), as well as either of the following items (i) or (ii):
 - (i) conversion rate and the maximum equity amount to be issued for conversion;
 - (ii) conversion range; and

- (iii) method for determining equity price to be employed in calculation of conversion rate or conversion range,
- if as a result of implementation of conversion into equity, holding of a person in the relevant issuer reaches, exceeds or falls below 10%, 20%, 33% or 50%, the BRSA approval would be required for exercise of shareholding rights (other than dividend rights), provided that such persons meet the eligibility criteria for founders of a bank as set out under the Banking Law; and
- the shares acquired as a result of “conversion into equity” are not taken into account for calculations to be made under the Regulation on the Capital Maintenance and Cyclical Capital Buffer or such other restrictions of the CMB with respect to dividend distribution.

Distributable Items and Restrictions on Dividend Distribution

The following is a description of certain information relating to the distributable items, including requirements under the Turkish Commercial Code, the Capital Markets Law, the CMB regulations, the Banking Law and the BRSA regulations.

Public companies have the option to distribute dividends in the form of cash or in the form of bonus shares to the shareholders, to distribute a combination of cash and bonus shares, or to retain all or part of their earnings for the relevant financial year as retained earnings, to make their payments as lump sum or in installments subject to the limitations discussed below. Public companies may distribute dividends from net profits or non-mandatory reserves.

Distributable items are calculated in accordance with the articles of association of the public companies after deducting all expenses, depreciation and similar payments and setting aside legally required reserves, taxes and the previous year’s losses, if any, from the revenue for the prior fiscal period. The amount of distributable items is the lesser of the amounts derived by performing this calculation using (i) the statutory financial statements, which are prepared in accordance with the Turkish Commercial Code and Turkish tax legislation and (ii) the TFRS accounts prepared in accordance with CMB regulations, which may differ from the IFRS accounts due to different depreciation, expense, revenue and foreign exchange gain and loss recognition standards.

Distributable items are then allocated in the following order:

- (i) 5.0% of the distributable items is allocated to a first legal reserve until the first legal reserve reaches 20.0% of the paid-in capital;
- (ii) the remaining amount after adding the value of any donations made within the relevant annual term (if any), may be distributed to the shareholders as a first dividend in accordance with the Turkish Commercial Code, Turkish capital markets regulations and the articles of association of a public company;
- (iii) the remainder of the distributable items may be (i) distributed in full or in part to the shareholders as a second dividend or distributed to the board members, officers, employees as a share of the profit or distributed to the foundations or similar institutions established for various purposes or (ii) set aside as year-end profits or as part of non-mandatory reserves; and
- (iv) after deducting an amount equal to 5.0% of the paid-in capital from the amount to be distributed to the shareholders and persons participating in profit as stated above, 10.0% of the remaining amount is allocated as a second legal reserve and added to the statutory reserve.

Unless and until the statutory funds and other financial obligations required by the law are set aside and the dividend determined in accordance with the articles of association of a public company is distributed in cash or as bonus shares, such public company cannot resolve:

- (i) to set aside any reserve,

- (ii) to transfer a dividend to the next year, or
- (iii) to make distributions to the members of its board of directors, managers, employees and foundations or similar institutions established for various purposes.

If the calculated first dividend amount is less than 5.0% of the paid-in capital, a public company may not distribute the first dividend. However, the amount retained will be added to the calculation of the first dividend for the following fiscal year.

As of 30 September 2018, the Bank's total distributable items, net of tax, amounted to TL 17,138,285 thousand compared to TL 14,677,384 thousand as of 31 December 2017.

BRSA Restrictions

However, pursuant to Article 6 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer published in the Official Gazette dated 5 November 2013 and numbered 28812 (the "**Regulation on the Capital Maintenance and Cyclical Capital Buffer**"), the amount of dividends (*kâr dağıtım tutarı*) which can be distributed by the banks is the product of (i) the amount of "distributable dividends" (*dağıtılabilir kâr tutarı*), and (ii) "the maximum ratio of dividend distribution" (*azami kâr dağıtım oranı*) calculated as per Article 5 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer.

Article 6 further provides that the BRSA shall determine the rules and procedures for determining the scope and calculation of the amount of distributable dividends. Accordingly, with Article 20 of its decision dated 18 December 2015 No. 6602, the BRSA has determined that the amount of distributable dividends is the sum of (i) the net profit for the relevant period calculated under the Turkish Accounting Standards and after deduction of all statutory and contractual obligations, and (ii) the profit carried forward.

Article 5 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer provides that the maximum ratio of dividend distribution of a bank is based on the additional core capital requirement (*ilâve çekirdek sermaye gereksinimi*) of such bank, and contains the table below indicating specific maximum ratios of dividend distribution for a bank, depending on the level of additional core capital requirement of such bank. Such levels are calculated by dividing the additional core capital of the bank by its additional core capital requirement.

Result of division of the additional core capital of a bank by its additional core capital requirement	The maximum ratio of dividend distribution for such bank (%)
Less than 25%	0
25% to 50%	20
50% to 75%	40
75% to 100%	60

Pursuant to Article 5 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer, the aforementioned maximum ratio of dividend distribution applies only if the additional core capital of the bank is lower than its additional core capital requirement. If the additional core capital of the bank is lower than its additional core capital requirement according to calculations on a consolidated basis and non-consolidated basis, for the purposes of determining the maximum ratio of dividend distribution, the calculation giving rise to a lesser ratio must be taken into consideration.

Article 4 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer stipulates that the additional core capital of a bank is the excess core capital (i.e. excess CET 1 capital) of that bank, which is calculated by deducting from the total core capital of the bank, the core capital of the bank required, pursuant to the 2016 Capital Adequacy Regulation, for meeting its obligations of (i) core capital adequacy (i.e. CET 1 ratio) ratio, (ii) Tier 1 capital adequacy ratio and (iii) capital adequacy standard ratio. Article 29 and Article 30 of the 2016 Capital Adequacy Regulation stipulate that, on both a consolidated and non-consolidated basis, those ratios are, respectively: (i) 4.5%, (ii) 6.0% and (iii) 8.0%. However, the BRSA has the authority to impose additional capital adequacy requirements on a standalone basis for each bank either (i) pursuant to

Article 31/2 of the 2016 Capital Adequacy Regulation, by taking into account their internal systems, assets and financial structures; or, (ii) pursuant to Article 56 et seq. of 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**”), as a result of the assessment of the capital adequacy by the BRSA of each bank as submitted in the context of the ICAAP process each year, if not required more often by the BRSA. When the BRSA imposes such additional capital adequacy requirements as per Article 31/2 of the 2016 Capital Adequacy Regulation, the additional capital may or may not be in the form of core capital; whereas, any additional capital adequacy requirement imposed under the Internal Systems must be in the form of core capital. Therefore, any additional capital adequacy requirement so required by the BRSA may impact the calculation of the excess CET1 capital and, hence, the Maximum Distributable Amount.

On 30 April 2018, as part of the Capital Strengthening Plan, the Bank requested approval from the relevant authorities for a paid-in share capital increase, which was completed on 29 June 2018. As a result, the Bank’s new issued share capital reached TL 8,447,051 thousand. The domestic rights issue was 94.3% subscribed and the Bank expects that, following the domestic rights issue, the issuance of U.S.\$500 million of Perpetual Fixed Rate Resetable Additional Tier 1 Notes would improve the Bank’s Tier 1 ratio from 13.1% to 14.2% and Capital Adequacy Ratio from 17.4% to 18.5%, and the Group’s Tier 1 ratio from 12.1% to 13.1% and Capital Adequacy Ratio from 16.1% to 17.1% based on the Bank’s financial condition as of 30 September 2018. The Bank’s and the Group’s CET 1 ratio would remain at 13.1% and 12.1%, respectively. Without giving effect to the BRSA’s regulatory forbearances, the Group’s Tier 1, Capital Adequacy Ratio and CET 1 ratios would have been 9.8%, 13.3% and 9.8%, respectively, and the Bank’s Tier 1, Capital Adequacy Ratio and CET 1 ratio would have been 10.7%, 14.4% and 10.7%, respectively, as of 30 September 2018.

Accordingly, this would reflect an amount of additional core capital above the additional core capital requirement of each of the Bank and the Group for the purposes of any Maximum Distributable Amount calculation under the Conditions of the Notes (the distance to the Maximum Distributable Amount restrictions) of TL 17,206 million and TL 11,938 million, respectively, or of TL 5,717 million for the Group and TL 11,879 million for the Bank without giving effect to the BRSA’s regulatory forbearances, as compared to TL 14,211 million for the Bank and TL 8,943 million for the Group as of 30 September 2018 (see “*BRSA Restrictions*” in paragraph (a) of “*Additional Information – Turkish Regulatory Environment*” and Condition 5.6). The amount of CET 1 capital above the trigger event level applicable to the Notes (being a CET 1 ratio of less than 5.125%) (the distance to trigger event) as of 30 September 2018 was TL 20,349,624 thousand on a consolidated basis and TL 21,731,675 thousand on an unconsolidated basis. Without giving effect to the BRSA’s regulatory forbearances, the amount of CET 1 capital above the trigger event level applicable to the Notes would have been TL 15,949,725 thousand on a consolidated basis and TL 17,569,376 thousand on an unconsolidated basis as of 30 September 2018.

Article 5 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer provides that the additional core capital requirement of a bank is the product of (i) the sum of (a) the bank-specific countercyclical capital buffer ratio and the (b) the capital conservation buffer ratio; and (ii) the risk-weighted assets of such bank.

Pursuant to the BRSA Decisions on the Countercyclical Capital Buffer, the countercyclical capital buffer for Turkish banks’ exposures in Turkey has initially been 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 in 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.

The Regulation on the Capital Maintenance and Cyclical Capital Buffer sets the capital conservation buffer ratios for banks as 0.625%, 1.250%, 1.875% and 2.500%, respectively for 2016, 2017, 2018 and 2019.

Further, on 23 February 2016, the BRSA issued 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 D-SIBs 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% of additional core capital 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

Accordingly, in respect of the D-SIBs, for the purposes of calculating (i) the additional core capital requirement and (ii) the maximum ratio of dividend distribution; these additional core capital requirements arising from the D-SIBs Regulation are also taken into account.

Finally, pursuant to Article 17 of the decision of the BRSA dated 18 December 2015 No. 6602, banks must obtain the approval of the BRSA prior to making any dividend distribution. In such decision, the BRSA has stated that, for the purposes of such approvals, it takes into account paragraphs 2 and 3 of Article 6 of the Regulation on the Capital Maintenance and Cyclical Capital Buffer, stipulating that the following are also deemed a “dividend distribution”:

- (i) Dividend payments to shareholders, and share buybacks;
- (ii) Payments in respect of instruments which can be included in Additional Tier 1 capital of a bank, provided that the bank makes such payment in spite of its right to not make such payment;
- (iii) All discretionary payments made to employees within scope of TFRS 2; and
- (iv) Other payments and transactions to be determined by the BRSA.

OVERVIEW OF THE OFFERING OF THE NOTES

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, “Terms and Conditions of the Notes”. Terms used in this section and not otherwise defined shall have the meanings given to them in the Terms and Conditions of the Notes.

Issue	U.S.\$ 650,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Notes.
Interest and Interest Payment Dates	<p>The Notes will bear interest from and including the Issue Date to (but excluding) the First Reset Date at a fixed rate of 13.875 per cent. per annum. From (and including) each Reset Date to (but excluding) the next succeeding Reset Date, the Notes will bear interest at a fixed rate equal to the Reset Interest Rate. Interest will be payable semi-annually in arrear on each of 15 January and 15 July in each year, provided that if any such date is not a Payment Day (as defined in Condition 7.4), then the Noteholders will not be entitled to payment until the next following Payment Day in the relevant place and will not be entitled to further interest or other payment in respect of such delay.</p> <p>“Reset Interest Rate” means the rate per annum equal to the aggregate of: (a) the Reset Margin and (b) the 5 Year Mid-Swap Rate (each as defined in Condition 5.12), as determined by the Fiscal Agent on the Reset Determination Date.</p>
Interest Cancellation	<p>The Issuer may elect, in its sole and absolute discretion, to cancel any payment of interest that is otherwise scheduled to be paid on an Interest Payment Date in whole or in part at any time and for any reason. The Issuer will also be obliged to cancel interest in certain circumstances. See Condition 5.</p> <p>If a Capital Disqualification Event (as defined below) has occurred in respect of the Notes and the Notes are no longer eligible to comprise (in whole and not part only) Additional Tier 1 capital of the Issuer, in the event that the Issuer does not exercise its option to redeem the Notes, the interest cancellation provisions shall cease to apply to the Notes and the Issuer shall no longer have the discretion to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of that Capital Disqualification Event.</p> <p>If, on any Interest Payment Date, any payment of interest in respect of the Notes scheduled to be made on such date is not made in full and such unpaid amount is cancelled, then certain restrictions on the recommendation by the board of directors of the Issuer with respect to Distributions and the acquisition of Ordinary Shares or any other class of</p>

	share capital of the Issuer will apply, as further described in Condition 5.11.
Issue Date	15 January 2019.
First Reset Date	15 January 2024.
Use of Proceeds	The net proceeds of the Offering will be used by the Issuer for general corporate purposes.
Regulatory Treatment	Application was made by the Issuer to the BRSA for confirmation that the full principal amount of the Notes will qualify for initial treatment as Additional Tier 1 capital (as provided under Article 7 of the Equity Regulation), which approval was received on 9 May 2018. See paragraph (a) of “ <i>Additional Information – Turkish Regulatory Environment</i> ”.
Status and Subordination	<p>See Condition 3.1. The Notes (and claims for payment by the Issuer in respect thereof) will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:</p> <ul style="list-style-type: none"> (a) subordinate in right of payment to the payment of all Senior Obligations, (b) <i>pari passu</i> without any preference among themselves and with all Parity Obligations, and (c) in priority to all payments in respect of Junior Obligations. <p>By virtue of the subordination of the Notes set out in Condition 3, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.</p>
Trigger Event Write-Down of the Notes	<p>If a Trigger Event occurs at any time, the Issuer will cancel any interest in respect of the Notes accrued and unpaid to (but excluding) the Trigger Event Write-Down Date and reduce the then Prevailing Principal Amount of each Note by the relevant Trigger Event Write-Down Amount in the manner described in Condition 6.1.</p> <p>Any Trigger Event Write-Down of the Notes will be effected, save as may otherwise be required by Applicable Banking Regulations, (i) such that each Note will be Written-Down <i>pro rata</i> with the other Notes and (ii) taking into account the write-down or conversion into equity of each other Trigger Event Loss Absorbing Instrument to the extent required to restore the CET1 Ratio of the Issuer and/or the Group to the lower of (A) the Specified Trigger Threshold of such other Trigger Event Loss Absorbing</p>

	<p>Instrument and (B) 5.125 per cent.</p> <p>To the extent such write-down or conversion of any other Trigger Event Loss Absorbing Instrument is not possible for any reason, this shall not in any way impact on any Trigger Event Write-Down of the Notes. The only consequence shall be that the Notes will be Written-Down and the Trigger Event Write-Down Amount determined as provided below without taking into account any such write down or conversion of such other Trigger Event Loss Absorbing Instrument.</p> <p>“Trigger Event Write-Down Amount” means save as may otherwise be required by Applicable Banking Regulations, the amount by which the then Prevailing Principal Amount of each outstanding Note is to be Written Down <i>pro rata</i> with the other Notes pursuant to a Trigger Event Write-Down, which amount shall be determined by the Issuer as:</p> <ul style="list-style-type: none"> (i) the amount of such Prevailing Principal Amount that (together with the <i>pro rata</i> write down or conversion to the extent possible of any other Trigger Event Loss Absorbing Instruments) would be sufficient to restore the CET1 ratio of the Issuer and/or the Group, as the case may be, to at least 5.125 per cent. (but without taking into account for these purposes any further write down or conversion of any other Trigger Event Loss Absorbing Instruments in accordance with their terms by any amount greater than the <i>pro rata</i> amount necessary to so restore such CET1 ratios); or (ii) if such Write-Down (together with the write down or conversion to the extent possible of any other Trigger Event Loss Absorbing Instruments) would be insufficient to so restore such CET1 ratio(s), the amount necessary to reduce the Prevailing Principal Amount of each Note to one cent.
<p>Non-Viability Event Write-Down of the Notes</p>	<p>If a Non-Viability Event occurs at any time, the Issuer will cancel any interest in respect of the Notes accrued and unpaid to (but excluding) the date of the occurrence of that Non-Viability Event and will, <i>pro rata</i> with the other Notes and any other Parity Loss-Absorbing Instruments, reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Non-Viability Event Write-Down Amount in the manner described in Condition 6.2. See Condition 6.</p>
<p>Reinstatement</p>	<p>To the extent the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount at any time as a result of a Trigger Event Write-Down, the Issuer may increase the Prevailing Principal</p>

Amount of each Note (a “**Write-Up**”) up to a maximum of its Initial Principal Amount. Any Write-Up (including the amount of such Write-Up) shall be:

- (a) subject to compliance with Applicable Banking Regulations and, if required by Applicable Banking Regulations, to having obtained the prior approval of the BRSA;
- (b) in the sole and absolute discretion of the Issuer;
- (c) effected only to the extent that both a positive Solo Distributable Net Profit and a positive Consolidated Distributable Net Profit are recorded;
- (d) effected on a *pro rata* basis with the other Notes and any Written-Down Additional Tier 1 Instruments of the Issuer or the Group that have terms permitting a principal write-up to occur on a basis similar to that set out in these provisions in the circumstances existing on the date of the relevant Write-Up;
- (e) subject to the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group (when the amount of the Write-Up is aggregated together with any other Relevant Distributions) not being exceeded thereby; and
- (f) effected only if the sum of:
 - (i) the aggregate amount of the relevant Write-Up on all of the Notes;
 - (ii) the aggregate amount of any payments of interest in respect of the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year;
 - (iii) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up and the increase in principal amount of the Notes and any such Written-Down Additional Tier 1 Instrument as a result of any previous write-up since the end of the previous financial year; and
 - (iv) the aggregate amount of any payments of interest or distributions in respect of each such Written-Down Additional Tier 1 Instrument that were paid on the basis of a principal amount lower than the principal amount it was issued with at any time after the end of the previous

	<p>financial year,</p> <p>does not exceed the Maximum Write-Up Amount.</p> <p>“Maximum Write-Up Amount” means the lower of:</p> <p>(A) the Solo Distributable Net Profit multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Issuer, and divided by the total Tier 1 capital of the Issuer as at the date of the relevant Write-Up; and</p> <p>(B) the Consolidated Distributable Net Profit multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Group, and divided by the total Tier 1 capital of the Group as at the date of the relevant Write-Up,</p> <p>or any higher amount permissible pursuant to Applicable Banking Regulations in force on the date of the relevant Write-Up.</p> <p>See Condition 6.5.</p>
No Set-off or Counterclaim	See Condition 3.2.
No Link to Derivative Transactions, Guarantees or Security	See Condition 3.3.
Certain Covenants	The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates. See Condition 4.
Redemption at the option of the Issuer	The Issuer may, having given not less than 30 nor more than 60 days’ notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all but not some only of the Notes then outstanding, subject (if required by applicable law) to having obtained the prior approval of the BRSA, on any Reset Date at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the relevant Reset Date. See Condition 8.2.
Redemption upon a Capital Disqualification Event	The Issuer may, having given not less than 30 nor more than 60 days’ notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all but not some only of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption upon the occurrence of a Capital

	<p>Disqualification Event.</p> <p>“Capital Disqualification Event” means if, as a result of any change in applicable law (including the Equity Regulation), or the application or official interpretation thereof, as confirmed in writing by the BRSA, all or any part of the aggregate Prevailing Principal Amount of the outstanding Notes is not eligible for inclusion as Additional Tier 1 capital of the Issuer (save where such exclusion is only as a result of any applicable limitation on the amount of such capital). See Condition 8.4.</p>
Redemption for Tax Reasons	See Condition 8.3.
Substitution or Variation instead of Redemption	If at any time a Capital Disqualification Event or a Tax Event occurs, the Issuer may either substitute all (but not some only) of the Notes for, or vary the terms of the Notes accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Additional Tier 1 Securities. See Condition 8.5.
Taxation; Payment of Additional Amounts	<p>See Condition 9.</p> <p>As of the date of this Prospectus, withholding tax at the rate of 0 per cent. applies on interest on the Notes. See “<i>Taxation - Certain Turkish Tax Considerations</i>” in the Base Prospectus.</p>
Enforcement	Upon the occurrence of certain events, the holder of any Note may exercise certain limited remedies. See Condition 11.
Form, Transfer and Denominations	<p>The Regulation S Notes will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. The Rule 144A Notes will be represented by beneficial interests in the Restricted Global Certificate, in registered form, without interest coupons attached, which will be deposited with the Custodian, and registered in the name of Cede & Co., as nominee for, DTC. Except in limited circumstances, certificates for Notes will not be issued in exchange for beneficial interests in the Global Notes. See “<i>Terms and Conditions of the Notes—Condition 2</i>” in the Base Prospectus.</p> <p>Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See “<i>Transfer Restrictions</i>” herein. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of the Rule 144A</p>

	<p>Notes.</p> <p>Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 thereafter. See Condition 1.</p>
Purchases by the Issuer, its Subsidiaries and its Affiliates	<p>Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of, any Related Entity (as defined in Condition 8.6) or the Issuer. If so permitted by applicable law, and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may at any time purchase Notes in any manner and at any price in the open market or otherwise.</p>
Governing Law	<p>The Notes will be, and the Agency Agreement, the Deed of Covenant and the Deed Poll are, and any non-contractual obligations arising out of, or in connection with, any of them will be, governed by and construed in accordance with English law, except for the provisions of Condition 3, which are and shall be governed by, and construed in accordance with, Turkish law.</p>
Listing	<p>An application has been made to Euronext Dublin to admit the Notes to listing on the Official List and trading on the Main Securities Market. However, no assurance can be given that such application will be accepted.</p>
Other Selling Restrictions	<p>The Notes have not been nor will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act), except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in Turkey and the United Kingdom. See “<i>Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions</i>” in the Base Prospectus.</p>
Risk Factors	<p>For a discussion of certain risk factors relating to Turkey, the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see “<i>Risk Factors</i>” herein and in the Base Prospectus.</p>
Issue Price	<p>100% of the principal amount of the Notes payable in full in U.S. dollars on the Issue Date.</p>
Yield	<p>13.875% per annum.</p>

Regulation S Security Codes	ISIN: XS1867595750 Common Code: 186759575
Rule 144A Security Codes	ISIN: US984848AL55 CUSIP: 984848 AL5 Common Code: 193678564
Representation of Noteholders	There will be no trustee.
Fiscal Agent, Exchange Agent, Principal Paying and Transfer Agent:	The Bank of New York Mellon, London Branch
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch

SELECTED FINANCIAL INFORMATION

Key Ratios

The following table provides certain of the Group's key ratios as of and for the nine months ended 30 September 2018 and the years ended 31 December 2017, 2016 and 2015. The basis for calculation of ratios that are non-GAAP financial measures is set out in the notes below. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. See "*Presentation of Financial Information—Non-GAAP Measures of Financial Performance*" in the Base Prospectus.

Prospective investors should read the following information in conjunction with "*Presentation of Financial Information*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in the Base Prospectus, and the Annual BRSA Financial Statements as of and for the years ended 31 December 2017, 2016 and 2015 and the Interim BRSA Financial Statements as of and for the nine months ended 30 September 2018.

	For the nine months ended 30 September	For the year ended 31 December		
	2018	2017	2016	2015
		(%)		
Return on average shareholders' equity excluding minority interest ⁽¹⁾	14.3	13.6	12.7	9.5
Return on average assets.....	1.3	1.2	1.2	0.9
Net interest margin ⁽²⁾	4.2	3.5	3.4	3.4
Capital adequacy ratio.....	16.1	13.4	13.2	12.9
Cost to income ⁽³⁾	32.1	42.2	44.2	49.5
Free capital ratio ⁽⁴⁾	5.3	6.3	7.8	7.7
Non-performing loans to total cash loans ⁽⁵⁾	3.7	4.4	4.8	3.9
Cost to average total assets ⁽⁶⁾	1.7	2.0	2.1	2.3
Loan-Deposit spread ⁽⁷⁾	4.4	3.6	3.9	4.1
TL Loan-Deposit spread ⁽⁷⁾	2.4	2.2	3.1	3.4
Loan Yields ⁽⁷⁾	10.9	9.6	9.6	9.5
TL Loan Yields ⁽⁷⁾	14.1	12.0	12.1	11.6

Notes:

- (1) The average is calculated as the average of shareholders' equity (excluding intangible assets) on 30 September 2018 and shareholders' equity (excluding intangible assets) on 31 December 2017.
- (2) Net interest income divided by average interest earning assets, Bank-only. For further information regarding the calculation of average interest earning assets, see "*Selected Statistical and Other Information*" in the Base Prospectus.
- (3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.
- (4) Free capital (Total shareholders' equity minus subsidiaries and joint ventures minus property and equipment minus intangible assets minus investment property minus tax assets minus deferred tax assets minus other assets minus NPLs plus provisions).
- (5) Total non-performing loans divided by total cash loans.
- (6) Operating costs divided by the average of assets at the end of the current period and assets at the end of the previous period.

(7) The table below shows the calculation of the Bank's Loan-Deposit Spreads and Loan Yields:

	30 September 2018	31 December 2017	31 December 2016	31 December 2015
		<i>(TL thousands)</i>		
Daily Annualisation.....	3.97	1.00	1.00	1.00
Interest income on				
Performing Loans	17,634,523	17,427,860	15,192,080	12,728,380
TL	13,175,624	13,671,107	12,179,977	10,419,453
Total Performing Loans	238,837,899	192,882,576	170,506,256	147,274,109
TL	126,243,565	123,649,321	104,490,268	96,690,031
Average Performing				
Loans^(*)	215,860,237	181,694,416	158,890,183	134,005,831
TL	124,946,443	114,069,794	100,590,149	89,783,573
Performing Loan Yield	10.9%	9.6%	9.6%	9.5%
TL Performing Loan Yield	14.1%	12.0%	12.1%	11.6%
Interest cost on Deposits	9,249,230	9,626,984	7,905,466	6,248,179
TL	7,278,001	7,892,515	6,870,383	5,385,394
Deposits	211,023,507	169,347,217	154,274,856	126,908,893
TL	90,477,463	75,934,109	84,648,505	67,190,566
Average Deposits^(*)	190,185,362	161,811,036	140,591,874	116,014,616
TL	83,205,786	80,291,307	75,919,535	65,683,246
Cost of Deposit	6.5%	5.9%	5.6%	5.4%
Cost of Deposit (TL)	11.7%	9.8%	9.0%	8.2%
Performing Loan - Deposit				
spreads	4.4%	3.6%	3.9%	4.1%
Performing Loan - Deposit				
spreads (TL)	2.4%	2.2%	3.1%	3.4%

(*) Average figures are calculated as the average between the figures for the beginning and end of the period.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which (except for the paragraphs in italics) will be incorporated by reference into each Global Note (as defined below) and each definitive Note will have endorsed thereon or attached thereto such Terms and Conditions.

The USD 650,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Notes (the “**Notes**”) are issued by Yapı ve Kredi Bankası A.Ş. (the “**Issuer**”) pursuant to the Agency Agreement (as defined below).

References herein to the “**Notes**” shall mean:

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

The Notes have the benefit of an agency agreement dated 29 September 2017 as supplemented by the supplemental agency agreement dated 4 September 2018 and the second supplemental agency agreement dated 15 January 2019 (such agency agreement as further amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent (the “**Fiscal Agent**” and the “**Exchange Agent**”, which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar, as defined below, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any successor registrar).

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean 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.

The Noteholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time), (the “**Deed of Covenant**”) dated 29 September 2017 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”).

Copies of the Agency Agreement, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the “**Deed Poll**”) dated 29 September 2017 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the “**Agents**”). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll and the Deed of Covenant. The statements in these Terms and Conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement 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 Conditions, the Conditions will prevail.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in registered form and, in the case of definitive Notes, serially numbered, and are issued in amounts of USD 200,000 and integral multiples of USD 1,000 thereafter (each, a “**Specified Denomination**”). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

The Notes are issued pursuant to the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362) of Turkey and the Communiqué on Debt Instruments Serial: VII, No: 128.8 of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the “CMB”). The proceeds of the Notes shall be fully paid in cash to the Issuer.

1.2 Title

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

For so long as any of the Notes is represented by a Global Note deposited with and registered in the name of a nominee for a common depository for Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the 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 registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

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

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

2. TRANSFERS OF NOTES

2.1 Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a 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 Global Note only in a Specified Denomination and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

2.2 Transfers of Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in a Specified Denomination). In order to effect any such

transfer (a) the holder or holders must (i) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) being transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Costs of registration

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

3. STATUS OF THE NOTES

3.1 Subordination

The Notes (and claims for payment by the Issuer in respect thereof) will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

- (a) subordinate in right of payment to the payment of all Senior Obligations;
- (b) *pari passu* without any preference among themselves and with all Parity Obligations; and
- (c) in priority to all payments in respect of Junior Obligations.

By virtue of the subordination of the Notes, as set out in this Condition 3, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

3.2 No Set-off or Counterclaim

All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. By virtue of the subordination of the Notes, following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

3.3 No Link to Derivative Transactions

The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract or (b) provide in any manner for such obligations to be the subject of any guarantee or security, in each case in a way which would result in a violation of Article 7(2)(b) of the Equity Regulation.

3.4 Interpretation

In these Conditions:

“**Additional Tier 1 capital**” means additional tier 1 capital as provided under Article 7 of the Equity Regulation.

“**Additional Tier 1 Instruments**” means any securities or other instruments that at the time of issuance constitute Additional Tier 1 capital of the Issuer.

“**BRSA**” means the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey or such other governmental authority in Turkey having primary bank supervisory authority with respect to the Issuer.

“**Equity Regulation**” means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013 (No. 28756), with an effective date of 1 January 2014), as amended, modified, supplemented or superseded from time to time.

“**Junior Obligations**” means any class of share capital (including ordinary and preferred shares) of the Issuer together with any other payment obligations of the Issuer, which obligations in each case rank, or are expressed to rank, junior to the Issuer’s obligations under the Notes.

“**Parity Obligations**” means any obligations of the Issuer in respect of any Additional Tier 1 Instruments, or other payment obligations or capital instruments of the Issuer, which in each case rank, or are expressed to rank, *pari passu* with the Issuer’s obligations under the Notes.

“**Senior Obligations**” means any of the Issuer’s present and future indebtedness and other obligations (including, without limitation, any obligations of the Issuer (a) in respect of any Senior Taxes, statutory preferences and other legally-required payments, (b) to depositors, trade creditors and other senior creditors, (c) obligations under hedging and other financial instruments, and (d) except as provided in (i), (ii) and (iii) below, to other subordinated creditors (including in respect of any Tier 2 Instruments)), other than its obligations under (i) the Notes, (ii) any Parity Obligations and (iii) any Junior Obligations.

“**Senior Taxes**” means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) including, without limitation, the Banking and Insurance Transactions Tax (*Banka ve Sigorta Muameleleri Vergisi*) imposed by Article 28 of the Expenditure Taxes Law (No. 6802), income withholding tax pursuant to the Decrees of the Council of Ministers of Turkey (No. 2009/14592, 2009/14593 and 2009/14594, as amended by No. 2011/1854 and 2010/1182), Articles 15 and 30 of the Corporate Income Tax Law (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (No. 193), any reverse VAT imposed by the VAT Law (No. 3065), any stamp tax imposed by the Stamp Tax Law (No. 488) and any withholding tax imposed by, or anti-tax haven regulations under, Article 30.7 of the Corporate Income Tax Law (No. 5520).

“**Subordination Event**” means any distribution of the assets of the Issuer on a dissolution, winding-up or liquidation of the Issuer whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation of indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (No. 5411), the Turkish Commercial Code (No. 6102) or the Turkish Execution and Bankruptcy Code (No. 2004).

“**Tier 2 capital**” means tier 2 capital as provided under Article 8 of the Equity Regulation.

“**Tier 2 Instruments**” means any securities or other instruments that at the time of issuance constitute Tier 2 capital of the Issuer.

“**Turkey**” means the Republic of Turkey.

4. COVENANTS

4.1 Maintenance of Authorisations

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

4.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Subsidiaries to, in any 12 month period, (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 USD 50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction and each such other aggregate Affiliate Transaction is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

4.3 Financial Reporting

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

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

4.4 Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

So long as any of the Notes remains outstanding, the Issuer shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a “**Successor Entity**”) without the prior approval of the holders of the Notes by way of an Extraordinary Resolution unless either:

- (a) the surviving legal entity following any such merger, amalgamation or consolidation is the Issuer; or

- (b) (i) the Successor Entity is incorporated, domiciled and resident in Turkey and executes a deed poll and such other documents (if any) as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of the Issuer in respect of the Notes (together, the “**Documents**”) and (without limiting the generality of the foregoing) pursuant to which the Successor Entity shall undertake in favour of each Noteholder to be bound by the Notes, these Conditions and the provisions of the Agency Agreement, the Deed of Covenant and the Deed Poll as fully as if it had been named in the Notes, these Conditions, the Agency Agreement, the Deed of Covenant and the Deed Poll in place of the Issuer; and
- (ii) the Issuer (or the Successor Entity) delivers to the Fiscal Agent a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of the Issuer, the Documents constitute or, when duly executed and delivered, will constitute, legal valid and binding obligations of the Successor Entity, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided (A) none of the events or circumstances described in paragraphs (a), (b) or (c) in Condition 11 below has occurred and is continuing and (B) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not (I) result in any other default or breach of the obligations and covenants of the Issuer under the Notes or of the Successor Entity on its assumption of such obligations and covenants in accordance with the provisions of Condition 4.4(b) or (II) otherwise have a Material Adverse Effect.

4.5 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.

“**Group**” means the Issuer together with its consolidated Subsidiaries.

“**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).

“**Material Adverse Effect**” means a material adverse effect on: (i) the business, financial condition or results of operations of the Issuer or the Group, or (ii) the Issuer’s ability to perform its obligations under the Notes, which, in the case of Condition 4.4(b) above, shall be determined by reference to the Issuer and the Group immediately prior to, and to the Successor Entity and the New Group immediately after, the relevant merger, amalgamation or consolidation or sale, assignment or other disposition.

“**New Group**” means the Successor Entity together with its consolidated Subsidiaries.

“**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 (as defined below).

“**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.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

Each Note bears interest, in respect of the period from (and including):

- (a) the Issue Date to (but excluding) the First Reset Date, at the rate of 13.875 per cent. per annum (the “**Initial Interest Rate**”); and
- (b) each Reset Date to (but excluding) the next succeeding Reset Date (each a “**Reset Period**”), at the rate per annum equal to the aggregate of: (i) the Reset Margin and (ii) the 5 Year Mid-Swap Rate (the “**Reset Interest Rate**” and, together with the Initial Interest Rate, each, a “**Rate of Interest**”), as determined by the Fiscal Agent on the Reset Determination Date.

Interest will be payable semi-annually in arrear on each of 15 January and 15 July (each, an “**Interest Payment Date**”) in each year, commencing on 15 July 2019.

In the case of any Write-Down (as defined in Condition 6.1 below) of the Notes and the cancellation pursuant to Condition 6.1 or 6.2, as the case may be, of any interest accrued and unpaid on the Notes in respect of the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date (or, if none, the Issue Date) to (but excluding) the Write-Down Date, interest will be payable on the Notes on the Interest Payment Date immediately following such Write-Down in respect of (i) the period from (and including) the Write-Down Date to (but excluding) such Interest Payment Date, and (ii) the Prevailing Principal Amount of the outstanding Notes during that period.

5.2 Calculation of Interest

Interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Notes which are represented by a Global Note, the aggregate Prevailing Principal Amount of the outstanding Notes represented by such Global Note, or
- (ii) in the case of Notes in definitive form, USD 1,000 (the “**Calculation Amount**”),

and, in each case, multiplying such sum by 30/360, and rounding the resultant figure to the nearest USD 0.01 (with USD 0.005 being rounded upwards). Where the Prevailing Principal Amount of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest 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 such Prevailing Principal Amount, without any further rounding. For any Prevailing Principal Amount of a Note in definitive form that is not a multiple of the Calculation Amount, the amount of interest payable in respect of such Prevailing Principal Amount shall be determined in the same manner as for a Global Note above.

5.3 Determination and Notification of Reset Interest Rate

The Fiscal Agent will, at or as soon as practicable after the Relevant Time, determine the Reset Interest Rate and cause it to be notified to the Issuer and any stock exchange on which the Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after such determination but in no event later than the fourth London Business Day thereafter. 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.

5.4 Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Agents and all Noteholders and (in the absence of wilful default or fraud) no liability to the Issuer or the Noteholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.5 Optional Cancellation of Interest

The Issuer may elect, in its sole and absolute discretion, to cancel any payment of interest in whole or in part at any time and for any reason. Following any such election, the Issuer shall give notice to Noteholders in accordance with Condition 14 and to the Fiscal Agent of the cancellation of such interest payment. Any failure by the Issuer to give any such notice to or otherwise to so notify Noteholders will not in any way impact on the effectiveness of, or otherwise invalidate, any such election, or give Noteholders any rights as a result of such failure.

5.6 Mandatory Cancellation of Interest

- (a) Payments of interest in respect of the Notes shall be made only out of Distributable Items of the Issuer. To the extent that (i) the Issuer has insufficient Distributable Items to make any payment of interest in respect of the Notes scheduled for payment in the then current financial year and any other interest payments or distributions paid and/or required and/or scheduled to be paid out of Distributable Items in such financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Issuer, and/or (ii) the BRSA, in accordance with Applicable Banking Regulations then in force, requires the Issuer to cancel the relevant payment of interest in respect of the Notes in whole or in part, then the Issuer will, without prejudice to the right above to cancel all such payments of interest in respect of the Notes, make partial or, as the case may be, no such payment of interest in respect of the Notes.
- (b) No payment of interest will be made in respect of the Notes if and to the extent that such payment:
 - (i) would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group to be exceeded provided that a partial payment of interest may be made to the extent that such partial payment does not cause the relevant Maximum Distributable Amount to be exceeded; or
 - (ii) would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Instruments pursuant to Applicable Banking Regulations.

5.7 Interest Payments Non-Cumulative

Interest payments in respect of the Notes will be non-cumulative. Accordingly, if any payment of interest (or part thereof) is not made in respect of the Notes as a result of any election of the Issuer to cancel such payment of interest then the right of the Noteholders to receive the relevant interest payment (or part thereof) will be extinguished and the Issuer will have no obligation to pay such interest (or part thereof) or to pay any interest thereon, whether or not interest on the Notes is paid in respect of any future Interest Period.

5.8 Non-payment Evidence of Cancellation

If the Issuer does not make any payment of interest (or part thereof) on any Interest Payment Date, such non-payment shall evidence the cancellation of such interest payment (or relevant part thereof) or, as appropriate, the Issuer's exercise of its discretion to cancel such interest payment (or relevant part thereof), and accordingly, such interest (or part thereof) shall not in any such case be due and payable.

5.9 Cancellation not an Event of Default

No such election to cancel the payment of any interest (or part thereof) or non-payment of any interest (or part thereof) will constitute an event of default or the occurrence of any event related to the bankruptcy or insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or insolvent or for the dissolution, winding-up or liquidation of the Issuer or in any way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any Junior Obligation or Parity Obligation other than any payment to shareholders of the Issuer.

5.10 Capital Disqualification Event

If a Capital Disqualification Event (as defined in Condition 8.4 below) has occurred in respect of the Notes and the Notes are no longer eligible to comprise (in whole and not, for the purposes of this Condition 5.10, part only) Additional Tier 1 capital of the Issuer, in the event that the Issuer does not exercise its option to redeem the Notes as provided in Condition 8.4, the interest cancellation provisions in Conditions 5.4 to 5.9 above shall cease to apply to the Notes and the Issuer shall no longer have the discretion to cancel any interest payments due on the Notes on any Interest Payment Date following the occurrence of that Capital Disqualification Event.

5.11 Restrictions Following Non-Payment of Interest

If, on any Interest Payment Date, any payment of interest in respect of the Notes scheduled to be made on such date is not made in full and cancelled pursuant to the above provisions:

- (a) the board of directors of the Issuer (the "Board of Directors") shall not directly or indirectly recommend or, if proposed by shareholders of the Issuer, shall recommend to reject to the shareholders of the Issuer, that any Distribution (other than in the form of Ordinary Shares or any other class of share capital of the Issuer) be paid or made on any Ordinary Shares or other class of share capital of the Issuer; and
- (b) the Issuer shall not directly or indirectly, redeem, purchase or otherwise acquire any Ordinary Shares or other class of share capital of the Issuer other than in relation to (a) transactions in securities effected by or for the account of customers of the Issuer or any of its subsidiaries or in connection with the distribution or trading of, or market making in respect of such securities; (b) the satisfaction by the Issuer or any of its subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers or directors of the Issuer or any of its subsidiaries; (c) a reclassification of any share capital of the Issuer or of any of its subsidiaries or the exchange or conversion of one class or series of such share capital for another class or series of such share capital; or (d) the purchase of any share capital of the Issuer or fractional rights to such share capital pursuant to the provisions of any outstanding securities of the Issuer or any subsidiary being converted or exchanged for such share capital in order to fulfil its obligations under such outstanding securities;

in each case until the earliest of (x) the interest scheduled to be paid in respect of the Notes on any two consecutive Interest Payment Dates following any such cancellation of interest has been paid in full; or (y) all outstanding Notes having been redeemed or purchased and cancelled in full; or (z) the Prevailing Principal Amount of the Notes having been Written Down to zero.

5.12 Interpretation

In these Conditions:

"5 Year Mid-Swap Rate" means, for each Reset Period, the annual mid-swap rate for U.S. dollar swap transactions with a maturity of five years (quoted on a semi-annual basis), expressed as a percentage, which appears on the Screen Page as of the Relevant Time. If such rate does not appear on the Screen Page as of the Relevant Time, the 5 Year Mid-Swap Rate for the relevant Reset Period will be the percentage *per annum* determined by the Fiscal Agent on the basis of the arithmetic mean of the bid and offered rates quoted by the Reference Banks at the Relevant Time for the semi-annual

fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. dollar interest rate swap transaction with an acknowledged dealer of good credit in the swap market, which swap transaction has a term of five years commencing on the relevant Reset Date and is in a Representative Amount, where the floating leg, (calculated on an Actual/360 day count basis) is equivalent to the rate for deposits in U.S. dollars for a three month period offered at the Relevant Time by the principal London offices of leading swap dealers in the New York City interbank market to prime banks in the London interbank market. The Fiscal Agent will request the principal office of each of the Reference Banks to provide such quotations. If three or more quotations are so provided, the 5 Year Mid-Swap Rate for the relevant Reset Period will be the percentage reflecting the arithmetic mean of those quotations, eliminating the highest such quotation (or, in the event of equality, one of the highest) and the lowest such quotation (or, in the event of equality, one of the lowest). If only two quotations are so provided, it will be the arithmetic mean of the quotations provided. If only one quotation is so provided, it will be such quotation. If no quotations are provided, the 5 Year Mid-Swap Rate for such Reset Period will be the 5 Year Mid-Swap Rate for the immediately preceding Reset Period or, if none, 2.630 per cent. per annum.

“**30/360**” means the number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360, calculated on the basis of a year of 360 days with twelve 30-day months.

“**Actual/360**” means the actual number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360.

“**Applicable Banking Regulations**” means at any time the laws, regulations, communiqués, regulatory decisions, requirements, guidelines and policies relating to capital adequacy then in effect in Turkey including, without limitation to the generality of the foregoing, the Banking Law (No. 5411), the Capital Adequacy Regulation, the Equity Regulation, the Capital Conservation and Countercyclical Buffer Regulation, the Regulation on Systemically Important Banks, the BRSA decision No. 6602 dated 18 December 2015 and those regulations, communiqués, decisions, requirements, guidelines and policies relating to capital adequacy of the BRSA to the extent then in effect in Turkey (whether or not any such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group).

“**Applicable Distribution Regulations**” means at any time the laws, regulations, communiqués, regulatory decisions, requirements, guidelines and policies relating to the making of any distribution by the Issuer to its shareholders by way of dividend then in effect in Turkey including, without limitation to the generality of the foregoing, the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362), the Banking Law (No. 5411), the Capital Adequacy Regulation, the Equity Regulation, the Capital Conservation and Countercyclical Buffer Regulation, the Regulation on Systemically Important Banks, the BRSA decision No. 6602 dated 18 December 2015 and those regulations, communiqués, decisions, requirements, guidelines and policies relating to the making of any such distribution of the BRSA and the CMB to the extent then in effect in Turkey (whether or not any such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer).

“**CMB**” means the Capital Markets Board (*Sermaye Piyasası Kurulu*) of Turkey.

“**Business Day**” means a day (other than a Saturday or Sunday) 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 Istanbul, London and New York City.

“**Capital Adequacy Regulation**” means the BRSA Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (published in the Official Gazette dated 23 October 2015 (No. 29511), with an effective date of 31 March 2016), as amended, modified, supplemented or superseded from time to time.

“**Capital Conservation and Countercyclical Buffer Regulation**” means the BRSA Regulation on Capital Conservation and the Countercyclical Buffer (published in the Official Gazette dated 5

November 2013 (No. 28812), with an effective date of 1 January 2014), as amended, modified, supplemented or superseded from time to time.

“Distributable Items” means those items eligible for distribution by the Issuer to its shareholders in any financial year of the Issuer by way of dividend in accordance with Applicable Distribution Regulations, including, without limitation, any retained earnings and other applicable reserves available for such distribution.

“Distribution” means any dividend or distribution to shareholders in respect of the Ordinary Shares or any other class of share capital of the Issuer, whether of cash, assets or other property (including a spin-off), and however described and whether payable out of a share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including any distribution or payment to any shareholders of the Issuer upon or in connection with a reduction of capital.

“First Reset Date” means 15 January 2024.

“Initial Principal Amount” means USD 1,000 for each USD 1,000 of the Specified Denomination of the Notes as of the Issue Date.

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

“Issue Date” means 15 January 2019.

“Maximum Distributable Amount” means, at any time, any maximum distributable amount required to be calculated in accordance with Applicable Banking Regulations at such time.

“Ordinary Shares” means ordinary shares in the capital of the Issuer, each of which confers on the holder one vote at general meetings of the Issuer.

“Prevailing Principal Amount” means, in respect of a Note at any time, the Initial Principal Amount of that Note as reduced (on one or more occasions) by any Write-Down (as defined in Condition 6.1 below) at or prior to such time.

“Reference Banks” means five leading swap dealers in the New York City interbank market as selected by the Fiscal Agent after consultation with the Issuer.

“Regulation on Systemically Important Banks” means the BRSA Regulation on the Regulation on Systemically Important Banks (published in the Official Gazette dated 23 February 2016 (No.29633), with an effective date of 23 February 2016), as amended, modified, supplemented or superseded from time to time.

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

“Relevant Time” means at or around 11:00 a.m. (New York City time) on the Reset Determination Date.

“Representative Amount” means an amount that is representative of a single transaction in the relevant market at the Relevant Time.

“Reset Date” means the First Reset Date and every fifth anniversary thereof.

“Reset Determination Date” means, in relation to each Reset Date, the third Business Day immediately preceding such Reset Date.

“Reset Margin” means 11.245 per cent. per annum.

“Screen Page” means the display page on the relevant Reuters information service designated as the “ICESWAPI” page or such other page as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such

information, in each case for the purpose of displaying equivalent or comparable rates to the 5-Year Mid-Swap Rate.

6. LOSS ABSORPTION UPON THE OCCURRENCE OF A TRIGGER EVENT OR A NON-VIABILITY EVENT AND REINSTATEMENT

6.1 Trigger Event Write-Down of the Notes

If at any time the CET1 Ratio of the Issuer and/or the Group, in each case as determined by the Issuer, is less than 5.125 per cent. (a “**Trigger Event**”), then the Issuer shall:

- (a) first, cancel any interest in respect of the Notes pursuant to Condition 5.5 accrued and unpaid to (but excluding) the Trigger Event Write-Down Date (including if payable on the Trigger Event Write-Down Date), together with any interest or equivalent payments that may be similarly cancelled in respect of any other securities or instruments of the Issuer the terms of which provide for such cancellation;
- (b) to the extent such cancellation of interest and any such equivalent payments is not sufficient to restore the CET1 ratio of the Issuer and/or the Group, as the case may be, to 5.125 per cent., on the Trigger Event Write-Down Date (without any requirement for the consent or approval of the Noteholders) reduce the then Prevailing Principal Amount of each Note by the relevant Trigger Event Write-Down Amount (any such reduction, a “**Trigger Event Write-Down**” and, together with a Non-Viability Event Write-Down (as defined in Condition 6.2 below), a “**Write-Down**”, and “**Written Down**” and “**Writing Down**” shall be construed accordingly); and
- (c) immediately notify the BRSA that a Trigger Event has occurred.

Promptly upon the occurrence of a Trigger Event, the Issuer shall give notice to Noteholders in accordance with Condition 14 and to the Fiscal Agent, which notice, in addition to specifying that a Trigger Event has occurred, shall specify (i) the date on which the Trigger Event Write-Down shall occur (the “**Write-Down Date**”), which shall be as soon as practicable and in any event by such date as Applicable Banking Regulations may require and (ii) if then determined, the Trigger Event Write-Down Amount (together, a “**Trigger Event Notice**”). If the Trigger Event Write-Down Amount has not been determined when the Trigger Event Notice is given, the Issuer shall, as soon as practicable following such determination, give notice to Noteholders in accordance with Condition 14 and to the Fiscal Agent of the Trigger Event Write-Down Amount.

Any failure by the Issuer to give any such notice to or otherwise to so notify Noteholders will not in any way impact on the effectiveness of, or otherwise invalidate, any Trigger Event Write-Down, or give Noteholders any rights as a result of such failure.

Any Trigger Event Write-Down of the Notes will be effected, save as may otherwise be required by Applicable Banking Regulations, (i) such that each Note will be Written-Down *pro rata* with the other Notes and (ii) taking into account the write-down or conversion into equity of each other Trigger Event Loss Absorbing Instrument to the extent required to restore the CET1 Ratio of the Issuer and/or the Group to the lower of (A) the Specified Trigger Threshold of such other Trigger Event Loss Absorbing Instrument and (B) 5.125 per cent.

To the extent such write-down or conversion of any other Trigger Event Loss Absorbing Instrument is not possible for any reason, this shall not in any way impact on any Trigger Event Write-Down of the Notes. The only consequence shall be that the Notes will be Written-Down and the Trigger Event Write-Down Amount determined as provided below without taking into account any such write down or conversion of such other Trigger Event Loss Absorbing Instrument.

Following the giving of a Trigger Event Notice which specifies a Trigger Event Write-Down of the Notes, the Issuer shall procure that:

- (I) a similar notice is, or has been, given in respect of each other Trigger Event Loss Absorbing Instrument (in each case, in accordance with, and to the extent required by, its terms); and

- (II) to the extent possible, the prevailing principal amount outstanding of each such other Trigger Event Loss Absorbing Instrument is written down or converted into equity in accordance with its terms prior to or, as appropriate, as soon as reasonably practicable following the giving of such Trigger Event Notice.

The Issuer shall calculate and publish the CET1 ratios of the Issuer and the Group on at least a quarterly basis.

6.2 Non-Viability Event Write-Down of the Notes

Under Article 7(2)(j) of the Equity Regulation, to be eligible for inclusion as Additional Tier 1 capital of the Issuer, it should, among other things, be possible pursuant to the terms of the Notes for the Notes to be written-down or converted into equity of the Issuer upon the decision of the BRSA in the event it is probable that (a) the operating licence of the Issuer may be revoked or (b) shareholder rights, and the management and supervision of the Issuer, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law (No. 5411) (as further defined below, a Non-Viability Event). For the purposes of the Notes, the Issuer has elected pursuant to Article 7(2)(j) of the Equity Regulation to provide for the permanent write-down of the Notes and not their conversion into equity on the occurrence of a Non-Viability Event as follows.

If a Non-Viability Event occurs at any time, the Issuer shall cancel any interest in respect of the Notes pursuant to Condition 5.5 accrued and unpaid to (but excluding) the date of occurrence of that Non-Viability Event (including if payable on such date) and:

- (a) *pro rata* with the other Notes and any other Parity Loss Absorbing Instruments; and
- (b) in conjunction with, and such that no Non-Viability Event Write-Down (as defined below) shall take place without there also being:
 - (i) the maximum possible reduction in the principal amount of, and/or corresponding conversion into equity being made in respect of, all Junior Loss Absorbing Instruments in accordance with the provisions of such Junior Loss Absorbing Instruments; and
 - (ii) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations (including CET1 Capital (*Çekirdek Sermaye*)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations,

reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Non-Viability Event Write-Down Amount (any such reduction, a “**Non-Viability Event Write-Down**”).

For these purposes, any determination of a Non-Viability Event Write-Down Amount shall take into account the absorption of the relevant loss(es) by all Junior Obligations to the maximum extent possible or otherwise allowed by law and the Writing Down of the Notes *pro rata* with any other Parity Loss Absorbing Instruments, thereby maintaining the respective rankings described under Condition 3.1 above.

In conjunction with any determination by the BRSA of the Issuer’s Non-Viability, losses may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders’ rights (except to dividends) and the management and supervision of the Issuer to the SDIF, on the condition that such loss(es) are deducted from the capital of the shareholders or (b) the revocation of the Issuer’s operating licence and its liquidation. However, the Non-Viability Event Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.

Pursuant to the first paragraph of this Condition 6.2, while the Notes may be Written-Down before any transfer or liquidation as described in the preceding paragraph, it is essential that the Non-Viability Event Write-Down takes place in conjunction with such transfer to the SDIF or revocation of the Issuer's operating licence and the possibility of its liquidation pursuant to Article 71 of the Banking Law (No. 5411) in order that the respective rankings described in Condition 3.1 are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. In this respect, such action will be taken as is decided by the Board of the BRSA. Where a Non-Viability Event Write-Down of the Notes does take place before the liquidation of the Issuer, Noteholders would only be able to claim and prove in respect of the Prevailing Principal Amount of the outstanding Notes following the Non-Viability Event Write-Down.

Prior to any such determination of Non-Viability by the BRSA, in those circumstances where the BRSA considers preventative action is warranted, there are a number of measures that may be taken by the BRSA under Articles 68 to 70 of the Banking Law (No. 5411) as a form of early intervention, including corrective, rehabilitative and restrictive measures. In addition to the measures referred to in those Articles, the BRSA may also request other measures. These may include the BRSA calling for an increase in the bank's own funds, which the BRSA may look for the bank to achieve through, among other things, the issue of further shares (whether to existing or new shareholders). The scope and manner of implementation of the measures described above that may be taken pursuant to Articles 68 to 70 of the Banking Law (No. 5411) will be decided solely by the Board of the BRSA. The transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF under Article 71 of the Banking Law (No. 5411) on the condition that losses are deducted from the capital of existing shareholders will also take place only upon the decision of the Board of the BRSA. See further "Risk Factors – Risks Relating to the Structure of the Notes —Potential Permanent Write-Down – The Prevailing Principal Amount outstanding of the Notes will be permanently Written-Down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer".

The Issuer shall notify the Noteholders of any Non-Viability Event in accordance with Condition 14 as soon as practicable upon receiving notice thereof from the BRSA; *provided that* prior to the publication of such notice the Issuer shall deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA of its determination of such Non-Viability Event. The Issuer shall further notify the Noteholders in accordance with Condition 14 and deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA specifying the Non-Viability Event Write-Down Amount as soon as practicable upon receiving notice thereof from the BRSA.

Any failure by the Issuer to give any such notice to or otherwise to so notify Noteholders will not in any way impact on the effectiveness of, or otherwise invalidate, any Non-Viability Event Write-Down, or give Noteholders any rights as a result of such failure.

6.3 No Event of Default

The occurrence of a Trigger Event, a Non-Viability Event or any Write-Down will not constitute an event of default or the occurrence of any event related to the bankruptcy or insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or insolvent or for the dissolution, winding-up or liquidation of the Issuer.

6.4 Write-Down may occur on more than one occasion and Noteholders will have no further Claim in respect of Written-Down Amount

A Trigger Event or a Non-Viability Event may occur on more than one occasion and the Notes may be Written-Down on more than one occasion, with each such Write-Down to involve the reduction of the then Prevailing Principal Amount of the outstanding Notes by the relevant Write-Down Amount.

Noteholders will have no further claim against the Issuer in respect of any Written-Down Amount of the Notes and if, at any time, the Notes are Written-Down in full, the Notes shall be cancelled and Noteholders will have no further claim against the Issuer in respect of any such Notes.

6.5 Reinstatement

To the extent the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount at any time as a result of a Trigger Event Write-Down, the Issuer may increase the Prevailing Principal Amount of each Note (a “**Write-Up**”) up to a maximum of its Initial Principal Amount. Any Write-up (including the amount of such Write-Up) shall be:

- (1) subject to compliance with Applicable Banking Regulations and, if required by Applicable Banking Regulations, to having obtained the prior approval of the BRSA;
- (2) in the sole and absolute discretion of the Issuer;
- (3) effected only to the extent that both a positive Solo Distributable Net Profit and a positive Consolidated Distributable Net Profit are recorded;
- (4) effected on a *pro rata* basis with the other Notes and any Written-Down Additional Tier 1 Instruments of the Issuer or the Group that have terms permitting a principal write-up to occur on a basis similar to that set out in these provisions in the circumstances existing on the date of the relevant Write-Up;
- (5) subject to the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group (when the amount of the Write-Up is aggregated together with any other Relevant Distributions) not being exceeded thereby; and
- (6) effected only if the sum of:
 - (i) the aggregate amount of the relevant Write-Up on all of the Notes;
 - (ii) the aggregate amount of any payments of interest in respect of the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year;
 - (iii) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up and the increase in principal amount of the Notes and any such Written-Down Additional Tier 1 Instrument as a result of any previous write-up since the end of the previous financial year; and
 - (iv) the aggregate amount of any payments of interest or distributions in respect of each such Written-Down Additional Tier 1 Instrument that were paid on the basis of a principal amount lower than the principal amount it was issued with at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

In addition, no Write-Up shall be effected:

- (a) if a Trigger Event has occurred in respect of which the Trigger Event Write-Down has not yet occurred;
- (b) if a Trigger Event has occurred in respect of which the Trigger Event Write-Down has occurred but the CET 1 Capital Ratio of the Issuer and/or the Group has not been restored to at least 5.125 per cent.;
- (c) if the Write-Up (together with any corresponding write-up of all other Written-Down Additional Tier 1 Instruments of the Issuer or the Group that have terms providing for such write-up) would cause a Trigger Event to occur;
- (d) if a Non-Viability Event has occurred at any time subsequent to a Trigger Event insofar as the amount of the Notes Written-Down pursuant to that Trigger Event is concerned; or

- (e) in respect of any Written-Down Amount (as defined below) of the Notes that has been Written-Down pursuant to a Non-Viability Event Write-Down.

The Issuer will further not write-up or otherwise reinstate the principal amount of any Written-Down Additional Tier 1 Instruments of the Issuer or the Group that have terms permitting a write-up of such principal amount to occur on a similar basis to that set out in these provisions unless it does so on a *pro rata* basis with a Write-Up of the Notes.

A Write-Up may be made on more than one occasion in accordance with these provisions until the Prevailing Principal Amount of the Notes has been reinstated to the Initial Principal Amount.

Any decision by the Issuer to effect or not to effect any Write-Up pursuant to these provisions on any occasion shall not preclude it from effecting or not effecting any Write-Up on any other occasion pursuant to these provisions.

If the Issuer decides to Write-Up the Notes pursuant to these provisions, notice (a “**Write-Up Notice**”) of such Write-Up shall be given to Noteholders specifying the amount of any Write-Up (as a percentage of the Initial Principal Amount of a Note that results in a *pro rata* increase in the Prevailing Principal Amount of each Note) and the date on which such Write-Up shall take effect and to the Fiscal Agent. Such Write-Up Notice shall be given at least ten Business Days prior to the date on which the relevant Write-Up is to become effective.

6.6 Interpretation

For the purposes of this Condition 6:

“**Accounting Currency**” means Turkish Lira or such other primary currency used in the presentation of the Issuer’s consolidated financial statements from time to time.

“**CET1 Capital**” means, at any time, the common equity tier 1 Capital (*Çekirdek Sermaye*) of the Issuer or the Group, respectively, as calculated by the Issuer in accordance with Applicable Banking Regulations at such time, including any applicable transitional, phasing in or similar provisions.

“**CET1 Ratio**” means, at any time, with respect to the Issuer or the Group, as the case may be, the ratio (expressed as a percentage) of the aggregate amount (in the Accounting Currency) of the CET1 Capital of the Issuer or the Group, respectively, at such time divided by the Risk Weighted Assets Amount of the Issuer or the Group, respectively, at such time, all as calculated by the Issuer in accordance with Applicable Banking Regulations at such time.

“**Consolidated Distributable Net Profit**” means the consolidated net profit of the Group, as calculated and set out in the most recent published audited annual consolidated financial statements of the Group, less any items (i) required to be deducted prior to any distribution of such net profit by the Issuer to its shareholders or (ii) not otherwise eligible for such distribution, in each case in accordance with Applicable Distribution Regulations.

“**Junior Loss Absorbing Instruments**” means any Non-Viability Event Loss Absorbing Instrument that is or represents a Junior Obligation.

“**Maximum Write-Up Amount**” means the lower of:

- (i) the Solo Distributable Net Profit multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Issuer, and divided by the total Tier 1 capital of the Issuer as at the date of the relevant Write-Up; and
- (ii) the Consolidated Distributable Net Profit multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Group, and divided by the total Tier 1 capital of the Group as at the date of the relevant Write-Up,

or any higher amount permissible pursuant to Applicable Banking Regulations in force on the date of the relevant Write-Up.

“Non-Viable” means, in the case of the Issuer, where the Issuer is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law (No. 5411) that: (i) its operating licence is to be revoked and the Issuer liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders, and **“Non-Viability”** shall be construed accordingly.

“Non-Viability Event” means the determination by the BRSA that, upon the incurrence of a loss by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable.

“Non-Viability Event Loss Absorbing Instrument” means any security or other instrument or payment obligation that has provision for all or some of its principal amount to be reduced and/or converted into equity (in accordance with its terms or otherwise) on the occurrence or as a result of a Non-Viability Event (which shall not include ordinary shares or any other instrument that does not have such provision in its terms or otherwise but which is subject to any Statutory Loss Absorption Measure).

“Non-Viability Event Write-Down Amount”, in respect of an outstanding Note, means the amount by which the Prevailing Principal Amount of such Note as of the date of the relevant Non-Viability Event Write-Down is to be Written-Down, which shall be determined as described in Condition 6.2 and may be all or part only of such Prevailing Principal Amount, in each case as specified in writing (including by way of publication) by the BRSA (together with a Trigger Event Write-Down Amount, a **“Write-Down Amount”**, and **“Written-Down Amount”** shall be construed accordingly.

While a Non-Viability Event Write-Down of the Notes may take place before the absorption of the relevant loss(es) giving rise to the Non-Viability Event to the maximum extent possible by Junior Obligations, such loss absorption would need to be taken into account by the BRSA, where relevant, in the determination of the Non-Viability Event Write-Down Amount in order for the respective rankings described in Condition 3.1 to be maintained on any Write-Down as provided in Condition 6.2.

“Parity Loss Absorbing Instruments” means any Non-Viability Event Loss Absorbing Instrument that is or represents a Parity Obligation.

“Relevant Distributions” means distributions of the Issuer or the Group, as applicable, of the kind the payment of which from the Distributable Items of the Issuer or the Group, respectively, is subject to the Maximum Distributable Amount not being exceeded by such payment.

“Risk Weighted Assets Amount” means at any time, with respect to the Issuer or the Group, as the case may be, the aggregate amount (in the Accounting Currency) of the risk weighted assets or equivalent of the Issuer or the Group, respectively, as calculated by the Issuer in accordance with Applicable Banking Regulations at such time.

“SDIF” means the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) of Turkey,

“Solo Distributable Net Profit” means the non-consolidated net profit of the Issuer, as calculated and set out in the most recent published audited annual non-consolidated financial statements of the Issuer, less any items (i) required to be deducted prior to any distribution of such net profit by the Issuer to its shareholders or (ii) not otherwise eligible for such distribution, in each case in accordance with Applicable Distribution Regulations.

“Statutory Loss Absorption Measure” means the transfer of shareholders’ rights and the management and supervision of the Issuer to the SDIF pursuant to Article 71 of the Banking Law (No. 5411) or any analogous procedure or other measure under the laws of Turkey by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by Junior Obligations.

“**Tier 1 capital**” means tier 1 capital as provided under Article 5 of the Equity Regulation.

“**Trigger Event Loss Absorbing Instrument**” means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or any other member of the Group which has terms pursuant to which all or some of its principal amount may be written down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its terms) on the occurrence, or as a result, of the CET1 Ratio of the Issuer and/or the Group, as applicable, falling below a specified threshold (the “**Specified Trigger Threshold**”).

“**Trigger Event Write-Down Amount**” means save as may otherwise be required by Applicable Banking Regulations, the amount by which the then Prevailing Principal Amount of each outstanding Note is to be Written Down *pro rata* with the other Notes pursuant to a Trigger Event Write-Down, which amount shall be determined by the Issuer as:

- (i) the amount of such Prevailing Principal Amount that (together with the *pro rata* write down or conversion to the extent possible of any other Trigger Event Loss Absorbing Instruments) would be sufficient to restore the CET1 ratio of the Issuer and/or the Group, as the case may be, to at least 5.125 per cent. (but without taking into account for these purposes any further write down or conversion of any other Trigger Event Loss Absorbing Instruments in accordance with their terms by any amount greater than the *pro rata* amount necessary to so restore such CET1 ratios); or
- (ii) if such Write-Down (together with the write down or conversion to the extent possible of any other Trigger Event Loss Absorbing Instruments) would be insufficient to so restore such CET1 ratio(s), the amount necessary to reduce the Prevailing Principal Amount of each Note to one cent.

“**Written-Down Additional Tier 1 Instruments**” means, at any time, any instrument (other than the Notes) issued directly or indirectly by the Issuer or the Group, which qualifies as Additional Tier 1 capital of the Issuer or the Group, respectively, and which, immediately prior to the relevant Write-Up, has a prevailing principal amount lower than the principal amount that it was issued with due to such principal amount having been written down (other than as a result of a Non-Viability Event).

7. PAYMENTS

7.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to an account in U.S. dollars (or any account to which U.S. dollars may be credited or transferred) maintained by the payee or, at the option of the payee, by a cheque in U.S. dollars drawn on a bank that processes payments in U.S. dollars.

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

7.2 Payments in respect of Notes

Payments of principal in respect of each Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the 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 Note appearing in the register of holders of the Notes maintained by the Registrar outside of the United Kingdom (the “**Register**”) at (i) where in global form, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, are open for business) before the relevant due date, and (ii) in all other cases, the

close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (the “**Record Date**”). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than USD 250,000, payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means a bank which processes payments in U.S dollars.

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

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

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

7.3 General provisions applicable to payments

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

7.4 Payment Day

If the date for payment of any amount in respect of any Note 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 is a day (other than a Saturday or Sunday) 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:

- (a) Istanbul, London and New York City; and
- (b) in the case of Notes in definitive form only, the relevant place of presentation.

7.5 Interpretation of principal and interest

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

8. REDEMPTION AND PURCHASE

8.1 No fixed maturity

The Notes are perpetual securities with no fixed maturity or date for redemption and are only redeemable in accordance with the following provisions of this Condition 8.

8.2 Redemption at the option of the Issuer

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject (if required by applicable law) to having obtained the prior approval of the BRSA, on any Reset Date, at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the relevant Reset Date.

8.3 Redemption for tax reasons

If as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change, amendment or clarification becomes effective after 15 January 2019, on the next Interest Payment Date the Issuer would:

- (a) 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, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it as determined in good faith by the Board of Directors of the Issuer; or
- (b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 15 January 2019, is reduced,

(each a "**Tax Event**") then the Issuer may at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject (if required by applicable law) to having obtained the prior approval of the BRSA, at any time at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraphs (a) and (b) above will apply on the next Interest Payment Date and, in the case of sub-paragraph (a), cannot be avoided by the Issuer taking reasonable measures available to it, (ii) the BRSA's written approval for such redemption of the Notes (if so required) and (iii) an opinion of independent legal advisers, in the case of sub-paragraph (a) above or independent tax advisers, in the case of sub-paragraph (b) above, in each case, of recognised standing to the effect that the Issuer (A) in the case of sub-paragraph (a) above, has or will become obliged to pay such additional amounts as a result of the change, amendment or clarification or (B) in the case of sub-paragraph (b) above, is or will no longer be entitled to claim such deduction or the value of such deduction has or will be so reduced.

8.4 Redemption upon a Capital Disqualification Event

If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but

not some only, of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Fiscal Agent: (a) the required confirmation in writing by the BRSA, if applicable, of the occurrence of the relevant Capital Disqualification Event and (b) a certificate signed by two Directors of the Issuer stating that such Capital Disqualification Event has occurred.

For the purposes of this Condition 8.4, “**Capital Disqualification Event**” means if, as a result of any change in applicable law (including the Equity Regulation), or the application or official interpretation thereof, which change in application or official interpretation is confirmed in writing by the BRSA, all or any part of the aggregate Prevailing Principal Amount of the outstanding Notes is not eligible for inclusion as Additional Tier 1 capital of the Issuer (save where such exclusion is only as a result of any applicable limitation on the amount of such capital).

8.5 Substitution or Variation instead of Redemption

If at any time a Tax Event or a Capital Disqualification Event occurs, the Issuer may, instead of giving notice to redeem the Notes pursuant to Condition 8.3 or 8.4, as the case may be, but subject to compliance with Applicable Banking Regulations and the approval of the BRSA and having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), at any time (without any requirement for the consent or approval of the Noteholders) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Additional Tier 1 Securities.

If the Issuer has given a notice of substitution or variation of the Notes pursuant to this Condition 8.5 and, after giving such notice but prior to the date of such substitution or variation (as the case may be) a Trigger Event or a Non-Viability Event occurs, the relevant notice of substitution or variation shall be automatically rescinded and shall be of no force and effect, the Notes will not be substituted or varied on the scheduled substitution or variation date and, instead, a Write-Down shall occur in respect of the Notes as described under Condition 6.

Following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of substitution or variation of the Notes pursuant to this Condition 8.5 before the Write-Down Date. Following the occurrence of a Non-Viability Event, the Issuer shall not be entitled to give a notice of substitution or variation of the Notes pursuant to this Condition 8.5.

For the purposes of this Condition 8.5, “**Qualifying Additional Tier 1 Securities**” means any securities or other instruments issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a Noteholder, as reasonably determined by the Issuer following the advice of an independent financial institution of international standing, than the terms of the Notes, provided that they shall (i) include a ranking at least equal to that of the Notes, (ii) have the same interest rate and Interest Payment Dates as those from time to time applying to the Notes, (iii) have the same redemption rights as the Notes, (iv) comply with the then current requirements of Applicable Banking Regulations in relation to Additional Tier 1 capital, and (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; and
- (b) are listed on a recognised stock exchange if the Notes were so listed immediately prior to such substitution or variation.

8.6 Purchases by the Issuer or Subsidiaries

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of, (a) any entity which is controlled by the Issuer or over which the Issuer has significant influence (as contemplated in the Banking Law (No. 5411) and the Equity Regulation) (a “**Related Entity**”) or (b) the Issuer. If so permitted and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may purchase or otherwise

acquire Notes in any manner and at any price in the open market or otherwise. Subject to applicable law, such Notes may be held, reissued, resold or, at the option of the Issuer or any such Related Entity, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.7 Cancellation

All Notes which are redeemed pursuant to this Condition 8 will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.6 shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

8.8 No other optional redemption or purchase

Neither the Issuer nor any Related Entity may redeem or purchase the Notes, as applicable, other than as provided in this Condition 8.

9. TAXATION

9.1 Payment without Withholding

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdiction unless 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 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, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of such Note; or
- (b) where such withholding or deduction would not have been imposed but for the failure of the applicable holder or beneficial owner of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent (a) such compliance is required by applicable law, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (b) such obligor shall have notified such recipient in writing that such recipient will be required to comply with such requirement; or
- (c) presented for payment in Turkey; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.4).

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

For the purposes of these Conditions:

- (i) “**Relevant Date**” means with respect to any payment, the date on which such payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent, on or prior to the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

- (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.

9.2 Additional Amounts

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

10. PRESCRIPTION

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

11. ENFORCEMENT

If:

- (a) a Subordination Event occurs; or
- (b) any order is made by any competent court, or resolution is passed for the winding up, dissolution or liquidation of the Issuer,

the holder of any Note may claim or prove in the winding-up, dissolution or liquidation of the Issuer but may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

In any of the events or circumstances described in (a) or (b) above the holder of any outstanding Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its then Prevailing Principal Amount, together with interest accrued and unpaid to (but excluding) the date of repayment (if not cancelled pursuant to Condition 5), subject to the subordination provisions described under Condition 3.1 above.

The holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Issuer other than as provided above shall be available to the holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes.

12. REPLACEMENT OF NOTES

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

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

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

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Transfer Agent (which may be the Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; 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 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. 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. NOTICES

All notices regarding the 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 Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

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

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. of the then Prevailing Principal 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. of the then Prevailing Principal Amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the Prevailing Principal Amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions (including (i) modifying any date for redemption of the Notes or reducing or cancelling the nominal amount payable on redemption, (ii) reducing or cancelling the amount payable or modifying the payment date in respect of any interest in respect of the Notes or varying the method of calculating the rate of interest in respect of the Notes or modifying the provisions of Conditions 5.6 or 5.11, (iii) modifying Condition 3 by way of any further

subordination of the Notes or the imposition of any further restriction or limitation on the rights or claims of Noteholders, (iv) modifying the currency in which payments under the Notes are to be made or (v) modifying Conditions 6 or 18) (each a “**Reserved Matter**”), the quorum shall be one or more persons holding or representing not less than two-thirds of the then Prevailing Principal Amount of the Notes for the time being outstanding, and, for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held, directly or indirectly, by any of the Controlling Shareholders and their Affiliates, not less than 50 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding held by persons other than the Controlling Shareholders and their Affiliates, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the then Prevailing Principal Amount of the Notes for the time being outstanding and, for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held, directly or indirectly, by any of the Controlling Shareholders and their Affiliates, not less than 25 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding held by persons other than the Controlling Shareholders and their Affiliates. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

For the purposes of these Conditions:

An “**Extraordinary Resolution**” means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the Agency Agreement by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll and, in each such case, for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held, directly or indirectly, by any of the Controlling Shareholders and their Affiliates and the Extraordinary Resolution is to effect any Reserved Matter, a majority of not less than 51 per cent. of the persons voting and holding or representing or votes given on the poll in respect of Notes held by persons other than the Controlling Shareholders and their Affiliates or (b) a resolution in writing signed by or on behalf of all the Noteholders, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Noteholders; and

“**Controlling Shareholders**” means any of Koç Financial Services, Koç Holding A.S. or UniCredit S.p.A or if Koç Financial Services, Koç Holding A.S. and/or UniCredit S.p.A do not control the Issuer at the relevant time, any other Person or Persons, directly or indirectly, controlling the Issuer at such time, with the term “**control**” and “**controlling**” for the purposes of this definition having the meaning given in the definition of “**Affiliate**” in Condition 4.5.

15.2 Modification

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

Any such modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, create and issue further notes having terms and conditions the same as the Notes, or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the issue date and the issue price, so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. 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.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll and the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed Poll and the Notes, are and shall be governed by, and construed in accordance with, English law, except for the provisions of Condition 3, which are and shall be governed by, and construed in accordance with, Turkish law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, 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) is to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders may take 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 of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 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 the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (No. 5718).

18.4 Appointment of Process Agent

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

18.5 Other documents

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

TAXATION

See the section in the Base Prospectus entitled “Taxation” for the other tax considerations applicable to the Notes.

Certain U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note. This summary deals only with a Note held by a U.S. Holder (as defined below) whose functional currency is the U.S. dollar that acquires the Note in this Offering from the Joint Bookrunners and holds it as a capital asset. This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, among others, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, U.S. Holders that will hold a Note as part of a “straddle,” hedging transaction, “conversion transaction” or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into “constructive sale” transactions with respect to the Notes, U.S. Holders that directly, indirectly or constructively own 10% or more of the total voting power or value of all of the Issuer’s outstanding stock, U.S. Holders liable for alternative minimum tax and certain U.S. expatriates or to persons required for U.S. federal income tax purposes to conform the timing of income accruals with respect to the Notes to their financial statements under section 451 of the Code (as defined below). In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under any other U.S. federal tax laws (e.g. Medicare, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

As used herein, the term “**U.S. Holder**” means a beneficial owner of a Note that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the United States, (b) a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust that is subject to U.S. tax on its worldwide income regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a Note, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding a Note and its partners should consult their own tax advisors regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note.

The discussion below is based upon the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury Regulations thereunder, judicial and administrative interpretations thereof, and the income tax treaty between the United States and the government of the Republic of Turkey (the “**Treaty**”) all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

The summary of the U.S. federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisors as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Except as otherwise noted, the summary assumes that the Issuer is not a passive foreign investment company (a “**PFIC**”) for U.S. federal income tax purposes. If the Issuer were to be a PFIC for any year, materially adverse consequences could result for U.S. Holders.

U.S. Federal Income Tax Characterization of the Notes

The determination of whether an obligation represents debt, equity, or some other instrument or interest for U.S. federal income tax purposes is based on all the relevant facts and circumstances. Despite the fact that the Notes are denominated as debt, the Notes should be treated as an equity interest in the Issuer for U.S. federal income tax purposes. The Notes have several equity-like features, including (1) the absence of a fixed maturity date, (2) provisions for the cancellation of interest payments and the write-down of principal, (3) the subordination of the Notes to senior obligations of the Issuer, and (4) the lack of default provisions. By purchasing a Note, each holder agrees to treat the Note as an equity interest in the Issuer for U.S. federal income tax purposes. Accordingly, each “interest” payment should be treated as a distribution by the Issuer with respect to such equity interest, and any reference in this discussion to “dividends” or “distributions” refers to the “interest” payments on the Notes. Each prospective investor should consult its own tax adviser about the proper characterization of the Notes for U.S. federal income tax purposes. The remainder of this discussion assumes that the Notes will be characterized as equity in the Issuer for U.S. federal income tax purposes.

Payments of Interest

Distributions paid by the Issuer out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the Notes and thereafter as capital gain. However, the Issuer does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Issuer with respect to Notes will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Issuer.

Distributions paid by the Issuer generally will be taxable to a non-corporate U.S. Holder at the reduced rates normally applicable to long-term capital gains, provided the Issuer qualifies for the benefits of the Treaty, which the Issuer believes to be the case, and certain other conditions are met. A U.S. Holder will not be able to claim the reduced rates on distributions received from the Issuer if the Issuer is treated as a PFIC for the taxable year in which the dividends are received or the preceding taxable year. See “Passive Foreign Investment Company Considerations” below.

Subject to applicable limitations, Turkish taxes withheld from the distributions on the Notes at a rate not exceeding the rate provided in the Treaty (if applicable) will be creditable against the U.S. Holder’s U.S. federal income tax liability (or at a U.S. Holder’s election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes for the taxable year). The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, the dividends should generally constitute “passive category income,” or in the case of certain U.S. Holders, “general category income.” The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes based on their particular circumstances.

Sale or other Disposition

Upon a sale or other disposition of Notes, a U.S. Holder generally will recognize capital gain or loss (assuming, in the case of a redemption, the U.S. Holder does not own, and is not deemed to own, any of our ordinary shares) for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the Notes. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year and will generally be U.S.-source. Certain non-corporate U.S. Holders may be eligible for reduced rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least 75% of its gross income is “passive income” or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Passive income generally includes interest, dividends, rents, royalties and certain gains, subject to certain active business exceptions, including exceptions for certain active banking income and for certain dealer income. The application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice in 1989 (Notice 89-81, the “Notice”) and proposed regulations in 1996 and amended in 1998 (collectively, the “Proposed Regulations”) that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the “active bank exception”). The Proposed Regulations are proposed to be effective for taxable years beginning after December 31, 1994 and provide that taxpayers may apply the Proposed Regulations to a taxable year beginning after December 31, 1986, provided it is consistently applied to that taxable year and all subsequent taxable years. The IRS notice and Proposed Regulations have different requirements for qualifying as a foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Under both the Notice and Proposed Regulations, loans made in the ordinary course of a banking business are not treated as passive assets.

Based upon certain management estimates and proposed Treasury regulations, the Issuer believes that it should qualify as an active bank and does not believe it was a PFIC for its taxable year ending 31 December 2017 and does not expect to be a PFIC for its current taxable year or the foreseeable future. However, because there are uncertainties as to the characterization of certain of the Issuer’s income and assets, and because the Issuer’s possible status as a PFIC must be determined annually and may be subject to change, there can be no assurance that the Issuer will not be considered a PFIC for any taxable year. If the Issuer were a PFIC for any year in which a U.S. Holder owns Notes, the U.S. Holder may be subject to adverse tax consequences including increased tax rates and interest charges on gains and certain distributions. Additionally, distributions paid by the Issuer would not be eligible for the reduced rates of tax described above under “Payments of Interest”. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Information reporting and backup withholding

Information returns may be filed with the IRS (unless the U.S. Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes, and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals (and some specified entities) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisers regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS. THIS DISCUSSION IS BASED UPON LAWS AND RELEVANT INTERPRETATIONS THEREOF IN EFFECT AS OF THE DATE OF THIS PROSPECTUS.

SUBSCRIPTION AND SALE

None of the Issuer and the Joint Bookrunners represents that the 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. The Issuer intends to offer the Notes through the Joint Bookrunners and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated on or about 11 January 2019 (the “**Subscription Agreement**”), among the Joint Bookrunners and the Issuer, each of the Joint Bookrunners has severally agreed to purchase, and the Issuer has agreed to sell to each of the Joint Bookrunners, the principal amount of the Notes set forth opposite each Bookrunner’s name below.

Joint Bookrunners	Principal Amount of Notes
	<i>(U.S. dollars)</i>
Citigroup Global Markets Limited.....	130,000,000
J.P. Morgan Securities plc	130,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	130,000,000
Société Générale.....	130,000,000
UniCredit Bank AG	130,000,000
Total	<u>650,000,000</u>

The Subscription Agreement provides that the obligations of the Joint Bookrunners to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Joint Bookrunners must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Joint Bookrunners is subject to receipt and acceptance and subject to the Joint Bookrunners’ right to reject any order in whole or in part.

The Issuer has been informed that the Joint Bookrunners propose to resell the Notes at the offering prices set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to non-U.S. persons outside the United States in reliance upon Regulation S. See “*Subscription and Sale and Transfer Restrictions*” in the Base Prospectus. The prices at which the Notes are offered may be changed at any time without notice.

Broker commissions

To the extent permitted by local law, the Joint Bookrunners and Issuer have agreed that commissions may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Notes purchased by such intermediary and/or its customers. Each such intermediary is required by law to comply with any disclosure and other obligations related thereto, and each customer of any such intermediary is responsible for determining for itself whether an investment in the Notes is consistent with its investment objectives.

The shareholders of KFS (Koç Holding and UniCredit) may purchase up to 80% of the Notes offered. The holding and any sale of Notes by these parties may adversely affect the liquidity of the Notes and may also affect the prices of the Notes in the secondary market, particularly if some or all of these holders elect to sell their Notes at the same time. Koç Holding and UniCredit have agreed with the Issuer not to sell or otherwise transfer or dispose of, directly or indirectly, other than any transfer to any of their affiliates, any of their interests in any Notes purchased in the initial offering of the Notes for a period of 180 days from the Issue Date. Under the Agency Agreement, there is no restriction on the exercise of voting rights with respect to the Notes held by the Controlling Shareholders (as defined in Condition 15.1) (which as of the date of this Prospectus are KFS, Koç Holding and UniCredit) and their Affiliates but provision is included for the quorum at any meeting for passing an Extraordinary Resolution to effect any Reserved Matter (as defined in Condition 15.1) for so long as a majority of the Prevailing Principal Amount of the Notes for the time being outstanding are held directly or indirectly by any of the Controlling Shareholders and their Affiliates to be subject to persons holding or representing Notes held by persons other than the Controlling Shareholders and their Affiliates being at such meeting as further set out in Condition 15.1. For such an Extraordinary Resolution to be passed it must also be passed by a majority voting in respect of the Notes held by persons that are not the Controlling Shareholders or any of their Affiliates. For further information, see Condition 15.1. The interests of the shareholders of KFS may differ from the interests of other Noteholders.

GENERAL INFORMATION

The Bank is registered at the Istanbul Trade Registry under number 32736. It has its principal office at Yapı Kredi Plaza, D Blok, Levent 34330 Istanbul, Republic of Turkey. Its telephone number is +90 212 339 7011. The Legal Entity Identifier of the Bank is B85ZYWEZ5IZCZ2WNIO12.

Authorisation

The establishment of the Programme and the issuance and sale of the Notes by the Issuer and the execution and delivery by the Issuer of the documents in relation thereto have been authorised pursuant to the authority of the officers of the Issuer under resolutions of its Board of Directors dated 4 September 2013, 27 November 2013, 10 February 2014, 26 February 2015, 25 February 2016, 22 February 2017 and 26 February 2018.

Listing

Application has been made to list the Notes on Euronext Dublin, through the Listing Agent, Arthur Cox Listing Services Limited (“ACLSL”). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or to trading on the Main Securities Market. It is expected that admission of the Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or about 15 January 2019, subject only to the issue of the Notes. The total expenses related to the admission to trading of the Notes are expected to be approximately EUR 4,790.

Clearing Systems

The Unrestricted Global Certificate has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS1867595750 and Common Code 186759575). Application has been made for acceptance of the Restricted Global Certificate into DTC’s book-entry settlement system (ISIN US984848AL55, Common Code 193678564 and CUSIP 984848 AL5).

Significant or Material Adverse Change

There has been no material adverse change in the financial position or prospects of either the Issuer or the Group since 31 December 2017, being the end of the last financial period for which the Group’s audited financial statements have been published, and there has been no significant change in the financial or trading position of either the Issuer or the Group since 30 September 2018.

Financial Statements and Auditor

The Annual BRSA Financial Statements incorporated by reference into this Prospectus have been audited, without qualification (i) as of and for the year ended 31 December 2017, in accordance with the communiqué “Independent Audit of Banks” published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 and with the Independent Auditing Standards (which is a part of the Turkish Auditing Standards promulgated by the POA), by PwC, located at BJK Plaza, Süleyman Seba Caddesi No: 48, B Blok, Kat: 9 Akaretler Beşiktaş 34357, Istanbul, Republic of Turkey, as stated in the convenience translations into English of the relevant PwC report incorporated by reference into this Prospectus and (ii) as of and for the year ended 31 December 2016, in accordance with the communiqué “Independent Audit of Banks” published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of the Turkish Auditing Standards promulgated by the POA and (iii) as of and for the year ended 31 December 2015, in accordance with the “Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks” published in the Official Gazette dated 1 November 2006 and numbered 26333 and with the Independent Auditing Standards (which are a part of Turkish Auditing Standards promulgated by the POA), in each case of (ii) and (iii) above by EY, located at Maslak Mahallesi, Eski Büyükdere Caddesi No: 27, Daire: 54 57 59, Kat: 2 3 4, Sarıyer/Istanbul, Republic of Turkey, as stated in the convenience translations into English of the relevant EY’s reports incorporated by reference into this Prospectus.

The Interim BRSA Financial Statements as of and for the nine month period ended 30 September 2018, the six month period ended 30 June 2018, the three month period ended 31 March 2018, the nine month period ended 30 September 2017, for the six month period ended 30 June 2017, for the three month period ended 31 March 2017, for the nine month period ended 30 September 2016, for the six month period ended 30 June

2016, for the three month period ended 31 March 2016, for the nine month period ended 30 September 2015, for the six month period ended 30 June 2015 and for the three month period ended 31 March 2015 incorporated by reference into this Prospectus have been reviewed in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. See the English convenience translations of the relevant PwC’s and EY’s reports incorporated by reference herein. With respect to the unaudited interim BRSA Financial Statements as of and for the nine month period ended 30 September 2018, the six month period ended 30 June 2018, the three month period ended 31 March 2018, for the nine month period ended 30 September 2017, for the six month period ended 30 June 2017 and for the three month period ended 31 March 2017, PwC has reported that it applied limited procedures in accordance with professional standards for a review of such information; however, its report states that it did not audit and does not express an opinion on such interim financial information. With respect to the unaudited interim BRSA Financial Statements as of and for the nine month period ended 30 September 2016, for the six month period ended 30 June 2016, for the three month period ended 31 March 2016, for the nine month period ended 30 September 2015, for the six month period ended 30 June 2015 and for the three month period ended 31 March 2015, EY has reported that it applied limited procedures in accordance with professional standards for a review of such information; however, its report states that it did not audit and does not express an opinion on such interim financial information.

Pursuant to the Turkish Commercial Code, independent auditors can be appointed up to a total term of seven years (either consecutive or separately) within a 10 year period. Following the expiration of the seven year term, the same independent auditor cannot be appointed for the same company at least for three years. Accordingly, following the expiration of the seven years term of EY, the Bank has appointed PwC as its independent auditor effective as of 1 January 2017, and for a term of three years.

EY (a member firm of Ernst & Young Global Limited) and PwC (a member firm of PricewaterhouseCoopers International Limited) are authorised by the CMB, BRSA, Turkish Treasury, EMRA 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.

Litigation

Save as disclosed on page 214 under the title “*Legal Proceedings*” of the Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the Group’s consolidated financial position or profitability.

Documents

The following documents will be available in electronic form for inspection (in English except as specified) for so long as the Notes are outstanding:

- the Bank’s articles of association (as amended from time to time) (in Turkish with certified English translations);
- the convenience translations into English of the audited BRSA Financial Statements as of and for the years ended 31 December 2017, 2016 and 2015, together with the respective independent auditors’ reports;
- when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case the convenience translation into English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated and unaudited unconsolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis, and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis (though the Issuer’s IFRS financial statements do not constitute a part of, and are not incorporated by reference into, this Prospectus);

- the Agency Agreement (including the forms of the Notes);
- the Deed of Covenant;
- the Deed Poll; and
- a copy of this Prospectus and the Base Prospectus.

The convenience translations into English of copies of the latest audited annual and unaudited half-yearly interim reports of the Bank delivered pursuant to Condition 4 may be obtained from the registered office of the Issuer.

In addition, copies of this Prospectus, each document incorporated by reference and the financial statements listed below will be available on the websites of the Issuer and Euronext Dublin at the respective locations:

- (i) the Base Prospectus dated 4 September 2018, published on the website of Euronext Dublin at:
https://www.ise.ie/debt_documents/Base%20Prospectus_8a7c4f7b-0dfb-47d9-b7c7-0a70a2d76708.PDF;
- (ii) the First Supplement to the Base Prospectus dated 13 November 2018 which is published on the website of Euronext Dublin at:
https://www.ise.ie/debt_documents/Supplements_32f8ebda-25cd-4eb0-8255-78b7da8b6c74.PDF;
- (iii) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the nine month period ended 30 September 2018 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2018-consolidated-financials_48908/download;
- (iv) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the six month period ended 30 June 2018 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2018-consolidated-financials_46880/download;
- (v) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the three month period ended 31 March 2018 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2018-consolidated-financials_44649/download;
- (vi) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-december-2017-consolidated-financials_42455/download;
- (vii) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the nine month period ended 30 September 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2017-consolidated-financials_39349/download;
- (viii) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the six month period ended 30 June 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2017-consolidated-financials_36927/download;

- (ix) the convenience translations into English of the BRSA condensed consolidated interim financial statements and related notes of the Group as of and for the three month period ended 31 March 2017 and the review report of PwC thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2017-consolidated-financials_33553/download;
- (x) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-december-2016-consolidated-financials_31247/download;
- (xi) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the nine month period ended 30 September 2016 (with 30 September 2015 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2016-consolidated-financials_27873/download;
- (xii) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the six month period ended 30 June 2016 (with 30 June 2015 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2016-signed_25768/download;
- (xiii) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the three month period ended 31 March 2016 (with 31 March 2015 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2016-signed_25016/download;
- (xiv) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2015 and the audit report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-december-2015-signed_23945/download.aspx;
- (xv) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the nine month period ended 30 September 2015 (with 30 September 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-september-2015-signed_22688/download;
- (xvi) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the six month period ended 30 June 2015 (with 30 June 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/30-june-2015-signed_21941/download;
- (xvii) the convenience translations into English of the BRSA consolidated financial statements and related notes of the Group as of and for the three month period ended 31 March 2015 (with 31 March 2014 comparatives for the statement of income) and the review report of EY thereon, which are published on the Bank's website at:
https://www.yapikredi.com.tr/medium/file/31-march-2015-signed_20621/download

- (xviii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2018 (with 30 September 2017 comparatives) and the review report of PwC thereon, which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/30-september-2018-unconsolidated-financials_48912/download;
- (xix) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2018 (with 30 June 2017 comparatives) and the review report of PwC thereon, which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/30-june-2018-unconsolidated-financials_46882/download;
- (xx) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2018 (with 31 March 2017 comparatives) and the review report of PwC thereon which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/31-march-2018-unconsolidated-financials_44650/download;
- (xxi) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2017 and the audit report of PwC thereon, which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/31-december-2017-unconsolidated-financials_42454/download;
- (xxii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2017 (with 30 September 2016 comparatives) and the audit report of PwC thereon which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/30-september-2017-unconsolidated-financials_39348/download;
- (xxiii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2017 (with 30 June 2016 comparatives) and the review report of PwC thereon which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/30-june-2017-unconsolidated-financials_36928/download;
- (xxiv) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2017 (with 31 March 2016 comparatives) and the review report of PwC thereon which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/31-march-2017-unconsolidated-financials_33532/download;
- (xxv) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2016 and the audit report of EY thereon, which are published on the Bank's website at:
- https://www.yapikredi.com.tr/medium/file/31-december-2016-unconsolidated-financials_31248/download;
- (xxvi) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2016 (with 30 September 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:
- [https://www.yapikredi.com.tr/medium/file/30-september-2016-unconsolidated-financials_27875/download](https://www.yapikredi.com.tr/medium/file/30-september-2016-unconsolidated-financials_27875/download;)

(xxvii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2016 (with 31 June 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2016-signed_25774/download

(xxviii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2016 (with 31 March 2015 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2016-signed_27325/download

(xxix) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2015 and the audit report of EY thereon, which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-december-2015-signed_23947/download.aspx;

(xxx) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2015 (with 30 September 2014 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-september-2015_22691/download;

(xxxii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the six months ended 30 June 2015 (with 30 June 2014 comparatives) and the audit report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/30-june-2015_21927/download;

(xxxiii) the convenience translations into English of the BRSA unconsolidated financial statements and related notes of the Bank as of and for the three months ended 31 March 2015 (with 31 March 2014 comparatives) and the review report of EY thereon which are published on the Bank's website at:

https://www.yapikredi.com.tr/medium/file/31-march-2015_20619/download;

Such websites are not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

The translations from Turkish into English of the Bank's articles of association and financial statements referred to above are direct and accurate. In the event of a discrepancy, the original version prevails.

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business, which could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Interests in the Offer

Save as described in "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus and except for the fees payable to the Joint Bookrunners, the Fiscal Agent and the other Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.

Foreign Text

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

ISSUER

Yapı ve Kredi Bankası A.Ş.
Yapı Kredi Plaza D Blok
Levent 34330 Istanbul,
Republic of Turkey

FISCAL AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2 4 rue Eugène Ruppert
L 2453 Luxembourg
Luxembourg

LEGAL COUNSEL

(to the Joint Bookrunners as to English and United States law)

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

(to the Joint Bookrunners as to Turkish law)

Gedik & Eraksoy Avukatlık Ortaklığı
River Plaza, Kat:
17 Büyükdere Cad.
Bahar Sok. No. 13
Levent, TR-34394 Istanbul
Republic of Turkey

(to the Issuer as to English and United States law)

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

(to the Issuer as to Turkish law)

Devrim Güniz Gökçe Avukatlık Bürosu
Maya Akar Centre Büyükdere Cad. 100/29
34394 Esentepe Istanbul
Republic of Turkey

AUDITORS TO THE ISSUER

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a member firm of Ernst & Young Global Limited
Maslak Mahallesi
Eski Büyükdere Caddesi No: 27
Daire: 54-57-59
Kat: 2-3-4, Sarıyer/Istanbul
Republic of Turkey

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza
Süleyman Seba Caddesi No: 48
B Blok
Kat: 9, Akaretler Beşiktaş 34357/Istanbul
Republic of Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

Yapı ve Kredi Bankası A.Ş.

U.S.\$650,000,000 Perpetual Fixed Rate Resettable Additional Tier 1 Notes

PROSPECTUS

11 January 2019

BofA Merrill Lynch

Citigroup

J.P. Morgan

Société Générale Corporate & Investment Banking

UniCredit Bank

Joint Bookrunners