IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS WHO ARE ALSO QPS (EACH AS DEFINED BELOW) UNDER RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this notice, 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 SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

Confirmation of your Representation: In order to be eligible to view the 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) that are also Qualified Purchasers ("QPs") as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") or (2) persons other than U.S. persons (as defined in Regulation S) outside of the U.S. The Prospectus is being sent at your request and by accepting the e mail and accessing the Prospectus, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs that are also QPs 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 the Prospectus has been delivered to you on the basis that you are a person into whose possession the 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 the 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.

The 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, HSBC Bank plc, ING Bank N.V., London Branch, Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho International plc or MUFG Securities EMEA plc as 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.

The 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”). The 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 the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Türkiye İhracat Kredi Bankası A.Ş.
(Export Credit Bank of Turkey, Inc.)

a Turkish banking institution organised as a joint stock company

U.S.$500,000,000 4.250 per cent. Notes due 2022

Under its U.S.$1,500,000,000
Global Medium Term Note Programme

Issue Price: **99.333** per cent.

Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey, Inc.), a Turkish banking institution organised as a joint stock company (the "Bank" or the "Issuer"), is issuing U.S.$500,000,000 4.250 per cent. Notes due 2022 (the "Notes") under its U.S.$1,500,000,000 Global Medium Term Note Programme (the "Programme"). The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and are being offered: (a) for sale in the United States (the "U.S. Offering") to qualified institutional buyers (each a "QIB") as defined in, and in reliance upon, Rule 144A ("Rule 144A") under the Securities Act that are also qualified purchasers ("QPs") as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and (b) for sale outside the United States to persons other than U.S. persons (the "International Offering" and, with the U.S. Offering, the "Offering") 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*" in this Prospectus and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below).

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISK FACTORS BEGINNING ON PAGE 24 AND THE ADDITIONAL RISK FACTORS INCORPORATED BY REFERENCE FROM THE BASE PROSPECTUS (SEE "DOCUMENTS INCORPORATED BY REFERENCE" BELOW).

As described further herein, the net proceeds of the Notes will be used by the Issuer for the Issuer's general corporate purposes.

The Notes will bear interest from (and including) 18 September 2017 (the "Issue Date") to (but excluding) 18 September 2022 (the "Maturity Date") at a fixed rate of 4.250 per cent. per annum. Interest will be payable semi-annually in arrear on 18 March and 18 September in each year up to (and including) the Maturity Date; *provided that* if any such date is not a Payment Business Day (as defined in Condition 7.6), then such payment will be made on the next Payment Business Day. The Notes initially will be sold to investors at a price equal to 99.333 per cent. of the principal amount thereof. For a more detailed description of the Notes, see "*Issue Terms*" herein.

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 2004/39/EC 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 (the "Irish Stock Exchange") 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 Directive 2004/39/EC of the European Parliament and of the Council on markets in financial institutions.

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 and the approved issuance certificate relating to the issuance of the Notes based upon which the offering of the Notes will be conducted was obtained on 4 October 2016 by the CMB's letter dated 6 October 2016 and numbered 29833736-105.03.01-E.10365. The written approval (which may be in the form of a tranche issuance certificate) relating to the Notes is expected to be obtained from the CMB on or prior to the Issue Date.

The Notes are expected on issue to be rated Ba1 by Moody's Deutschland GmbH ("Moody's") and BB+ by Fitch Ratings Ltd. ("Fitch" and, together with Moody's, the "Rating Agencies"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As at the date of this Prospectus, each of the Rating Agencies is established in the EU and is registered under Regulation No 1060/2009 (as amended) (the "CRA Regulation"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

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) 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 per cent., (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 per cent., (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 per cent., and (iv) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0 per cent. Accordingly, the withholding tax rate on interest on the Notes is 0 per cent. 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, HSBC Bank plc, ING Bank N.V., London Branch, Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho International plc and MUFG Securities EMEA plc. (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 that are also QPs 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 with Citibank, N.A., London 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 Citivic Nominees Limited as nominee, and will be deposited on or about the Issue Date with Citibank Europe plc as common depositary 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.

Global Coordinator

Citigroup

Joint Bookrunners

Citigroup	**HSBC**
ING	**Mediobanca**
Mizuho Securities	**MUFG**

The date of this Prospectus is 14 September 2017.

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

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus. Where there is any inconsistency between the Base Prospectus of the Bank dated 3 December 2015 (the "Base Prospectus") relating to the Bank's Global Medium Term Note Programme and this Prospectus, the language used in this Prospectus shall prevail.

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. 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 advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

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 any U.S. State securities laws. 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:

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

(2) 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;

(3) 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;

(4) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(5) be able to evaluate (either alone or with the help of a financial adviser) 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 in its letter dated 6 October 2016 (No. 29833736-105.03.01-E.10365) (the "CMB Approval"), by the Banking Regulatory and Supervision Agency (the "BRSA") in its letter dated 15 August 2016 (No. 32521522-101[3]-E.11523) (the "BRSA Approval") and by the Undersecretariat of Treasury in its letter dated 22 September 2016 (No. 13131620-204-E.26929) (the "Treasury Approval" and, together with the CMB Approval and the BRSA Approval, the "Approvals"). In addition, the CMB amended the Communiqué on Debt Instruments to remove the requirement that issuers of debt instruments to be issued outside of Turkey obtain a tranche issuance certificate (*tertip ihraç belgesi*) before any sale and issuance of such instruments. As at 18 February 2017, such issuers are now required only to submit certain information to the CMB before they can proceed with the sale and issuance of such instruments; however, as at the date of this Prospectus, the CMB's system allowing such application had not become operational yet. Therefore, unless such system becomes operational before the Issue Date, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of such 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 Approvals, 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.

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").

The CMB amended the Communiqué on Debt Instruments to remove the requirement that debt instruments to be issued outside of Turkey be traded in an electronically registered form in the Central Registry Agency; however, the Issuer is still required to notify the Central Registry Agency (Merkezi Kayıt Kuruluşu A.Ş.) (trade name: Central Registry Istanbul (Merkezi Kayıt Istanbul)) ("Central Registry Istanbul") within three Istanbul business days from the Issue Date of the amount, Issue Date, ISIN, interest commencement 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).

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 "Stabilising Manager") (or persons acting on behalf of the Stabilising 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 relevant 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 relevant Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising 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 approval of the CMB, 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. See "*Subscription and Sale*" in this Prospectus and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything 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 the Republic 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 presented in this Prospectus may be presented for different periods 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. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third party sources, no facts have been omitted which would render the reproduced 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) 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 per cent., (ii) with respect to bonds with a

maturity of at least one and less than three years, the withholding tax rate on interest is 7 per cent., (iii) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3 per cent., and (iv) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0 per cent. Accordingly, the withholding tax rate on interest on the Notes is 0 per cent.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that may be considered to be "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Act of 1995. Forward-looking statements appear in a number of places throughout this Prospectus, including, without limitation, under "*Risk Factors*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business of the Bank*" and elsewhere in this Prospectus, and include, but are not limited to, statements regarding:

- strategy and objectives;
- trends affecting the Bank's results of operations and financial condition;
- asset portfolios;
- loan loss reserve;
- capital adequacy;
- legal proceedings; and
- the Bank's potential exposure to market risk.

The forward-looking statements also may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "probability", "risk", "target", "goal", "objective", "future" or similar expressions or variations on such expressions.

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

The Bank has identified some of the risks inherent in forward-looking statements and these are set out under "*Risk Factors*" in this Prospectus and the Base Prospectus. Factors that could cause actual results to differ materially from those in forward-looking statements include, among others:

- changes in the Turkish economy;
- changes in the banking and financial markets in Turkey;
- changes in the geopolitical environment, including any domestic instability or developments in the conflicts in Iraq, Syria or Ukraine;
- changes in the Undersecretariat of Treasury's policy which may impact the Bank's mandate, priorities and objectives;
- changes in applicable laws and regulations, including taxes, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Turkey, the EU, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, equity markets, inflation or deflation;

- the effects of competition in the markets in which the Bank operates, which may be influenced by regulation or deregulation;
- changes in government policies which may influence investment decisions;
- the Bank's ability to hedge certain risks economically;
- the Bank's ability to manage any mismatches between the Bank's interest earning assets and the Bank's interest bearing liabilities;
- the Bank's ability to manage operational risks, recruit and retain key management personnel and prevent security breaches;
- the Bank's ability to maintain adequate credit quality in the Bank's loan portfolio;
- the Bank's ability to compete in the Bank's business lines and increase or maintain market share;
- the Bank's ability to control expenses;
- the Bank's ability to manage liquidity risks, to receive periodic contributions of capital from the Treasury and to access financial markets;
- the Bank's success in managing the risks involved in the foregoing, which depends, among other things, on the Bank's ability to anticipate events that cannot be captured by the statistical models the Bank uses; and
- *force majeure* and other events beyond the Bank's control.

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Bank's results or the accuracy of forward-looking statements in this Prospectus. Therefore, you should not consider the factors discussed here or under "*Risk Factors*" in this Prospectus and the Base Prospectus to be a complete set of all potential risks or uncertainties.

You should not place undue reliance on any forward-looking statements. The Bank does not have any intention or obligation to update forward-looking statements to reflect new information, future events or risks that may cause the forward-looking events the Bank discusses in this Prospectus not to occur or to occur in a manner different from what the Bank expects.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Bank maintains its books of account and prepares its statutory financial statements (the "Statutory Financial Statements") in Turkish Lira in accordance with the Turkish Accounting Standards, Turkish Financial Reporting Standards, communiqué on "Banks' Accounting Practice and Maintaining Documents" and other communiqués, regulations and general instructions on accounting and financial reporting published by BRSA and interpretations of BRSA on accounting and financial reporting (collectively "BRSA Principles"). The Statutory Financial Statements are provided to the BRSA in accordance with applicable regulations.

The Bank's audited annual financial statements as at and for the years ended 31 December 2016 and 2015 (with 2014 comparatives) (the "Annual BRSA Financial Statements") and unaudited interim financial statements as at and for the six months ended 30 June 2017 (with 30 June 2016 comparatives) (the "Interim BRSA Financial Statements" and, together with the Annual BRSA Financial Statements, the "BRSA Financial Statements") have been prepared and presented in accordance with the BRSA Principles. The format and the details of the publicly announced financial statements and related disclosures to these statements have been

prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated 28 June 2012.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("KPMG"), a member firm of KPMG International Cooperative, audited and issued auditor's reports with respect to the Annual BRSA Financial Statements and reviewed and issued a review report with respect to the Interim BRSA Financial Statements.

The Interim BRSA Financial Statements 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" by KPMG. See the relevant KPMG report incorporated by reference into this Prospectus.

References to "BRSA financial data" in this Prospectus are to financial data prepared in accordance with BRSA Principles.

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

While the Bank is not required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under International Financial Reporting Standards ("IFRS"), the Bank's management has elected to publish annual and semi-annual financial statements that have been prepared in accordance with IFRS, with the most recent such audited financial statements being the Issuer's IFRS financial statements for the year ended 31 December 2016. IFRS financial statements are not used for any regulatory purposes and the Bank's management uses the BRSA Financial Statements and related BRSA Principles for the management of the Bank and communications with investors. While the Bank's IFRS financial statements are available on the Bank's website and are incorporated by reference in this Prospectus, information in this Prospectus is based upon the BRSA Financial Statements, unless otherwise indicated.

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

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

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

BRSA Principles and IFRS

BRSA Principles differ from IFRS. As an example, the provisioning policy used in the preparation of the Bank's IFRS financial statements differs from that used under BRSA Principles. Under BRSA Principles, provisioning is based on the length of the period of default, whereas under IFRS, provisioning is based on an

evaluation made by management. For a discussion of the differences between BRSA Principles and IFRS, see "*Appendix 1— Overview of Significant Differences Between IFRS and BRSA Accounting Principles*" of the Base Prospectus incorporated by reference into this Prospectus.

Non–GAAP Measures of Financial Performance

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

The ratios and measures included in this Prospectus that would also be considered non-GAAP financial measures in the United States, as described above, may also be considered as "alternative performance measures" (each, an "APM") as described in the ESMA Guidelines on Alternative Performance Measures (the "ESMA Guidelines") published by the ESMA on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework". The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures". References to "non-GAAP" measures below should therefore be interpreted also to include references to APMs.

For the Bank, such non-GAAP measures include:

- *average liquid assets/average total assets*: Average liquid assets and average total assets are each calculated on a monthly basis. Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale.
- *average liquid assets/average short-term liabilities*: Average liquid assets and average short-term liabilities are each calculated on a monthly basis. Liquid assets consist of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale. Short-term liabilities consists of liabilities with a maturity of less than one year.
- *return on average assets*: Return on average assets is calculated as net profit for the period divided by average total assets for the period. Ratios for the six months ended 30 June 2017 and 2016 are not annualised.
- *return on average equity*: Average equity is calculated on a monthly basis. Return on average equity is calculated as net profit for the period divided by average equity for the period. Ratios for the six months ended 30 June 2017 and 2016 are not annualised.
- *equity to assets ratio*: Equity to assets ratio represents average equity for the period divided by average total assets for the period.
- *average interest rate on interest-bearing liabilities (also expressed as yield on interest-bearing liabilities)*: Interest-bearing liabilities are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-bearing liabilities is calculated as interest expense for the period divided by average interest-bearing liabilities.

- *average interest rate on interest-earning assets (also expressed as yield on interest-earning assets):* Interest-earning assets are calculated as the average of monthly balances during the applicable period. The average interest rate on interest-earning assets is calculated as interest income for the period divided by average interest-earning assets.
- *average interest rate on net loans*: Net loans are calculated as the average of monthly balances during the applicable period. The average interest rate on net loans is calculated as interest income on net loans excluding accruals for the period divided by average net loans.
- *net interest margin*: Net interest margin is calculated as the Bank's net interest income divided by the average balance of the Bank's total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period.
- *net interest spread*: Net interest spread is calculated as the difference between the average interest rate on the Bank's interest-earning assets and the average interest rate on the Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period.
- *average balance of loans*: Average balance of loans is calculated on the basis of net loans, excluding accruals.
- *average balances of assets and liabilities*: Average balances of assets and liabilities for the Bank for the six months ended 30 June 2017 and 2016 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to May of the applicable period and the closing balance as at the end of the applicable period; and average balances of assets and liabilities for the Bank for the years ended 31 December 2016, 2015 and 2014 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to November of the applicable year and the closing balance as at the end of the applicable period, all as more particularly described under *"Selected Statistical and Other Information"*.

  See "*Selected Financial Information*" elsewhere in this Prospectus for additional detail on these measures.

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

The Bank believes that these non-GAAP measures, when considered in conjunction with BRSA financial information presented in accordance with BRSA Principles, enhance investors' and management's overall understanding of the Bank's current financial performance.

Currency Presentation

In this Prospectus, all references to:

- "Turkish Lira" and "TL" refer to the lawful currency for the time being of the Republic of Turkey;
- "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- "U.S. Dollars", "U.S.$" and "$" refer to United States Dollars;
- "Sterling" and "£" refer to pounds sterling;
- "FX" refer to all currencies except TL; and
- "SDRs" refer to Special Drawing Rights, the international reserve assets created by the International Monetary Fund (the "IMF"). The U.S. Dollar value of the SDR is posted daily on the IMF's website and as at 7 September 2017 was U.S.$1.42.

Exchange Rate Information

For the convenience of the reader, this Prospectus presents translations of certain Turkish Lira amounts into Dollars at the Turkish Lira exchange rates for purchases of U.S. Dollars announced by the Central Bank (the "TL/USD exchange rate"). See "*Risk factors — Risk Factors relating to Turkey — The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy as well as the Bank's business, financial condition, results of operations or prospects*" and "*Exchange Rates*" below. No representation is made that the Turkish Lira or U.S. Dollar amounts in this Prospectus could have been or could be converted into U.S. Dollars or Turkish Lira, as the case may be, at any particular rate or at all.

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

Capitalised terms which are used but not defined in any particular section of this Prospectus have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Prospectus or the sections of the Base Prospectus incorporated by reference herein.

In this Prospectus, the "Bank" or the "Issuer" refers to Türkiye İhracat Kredi Bankası A.Ş. (Export Credit Bank of Turkey, Inc.).

In this Prospectus, all average balance sheet amounts are derived from the average of the opening and closing balances for the applicable period except to the extent specifically set forth herein.

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 website at www.tcmb.gov.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data presented in this Prospectus may be presented for different periods 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.

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:

(1) the sections of the Base Prospectus entitled as set out in the table below:

	Page references (inclusive)
Available Information	7
Overview of the Programme	16 to 21
Risk Factors—Risks related to the Structure of a Particular Issue of Notes (other than the risk factors entitled "*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*" and "*In certain circumstances, investors may need to open a bank account in the Specified Currency or payment may be made in a currency other than as elected by a Noteholder or the currency in which payment is made may affect the value of the Notes or such payment to the relevant Noteholder*")	42 to 43
Risk Factors—Risks related to Notes Generally (other than the risk factors entitled "*Investors who purchase interests in Bearer Global Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive bearer Notes are subsequently required to be issued*" and "*A paying agent may be obligated to withhold taxes under EU Savings Directive*")	44 to 49
Enforcement of Judgments and Service of Process	50
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The Base Prospectus is published on the website of the Irish Stock Exchange at: http://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/Dept-Security-Documents/?progID=875&uID=7438&FIELDSORT=fileDate;

(2) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer as at and for the year ended 31 December 2016;

(3) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer as at and for the year ended 31 December 2015 (including 2014 comparatives);

(4) the independent auditor's review report and the unaudited interim BRSA Financial Statements of the Issuer as at and for the six months ended 30 June 2017 (with June 2016 comparatives);

(5) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer as at and for the year ended 31 December 2016; and

(6) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer as at and for the year ended 31 December 2015 (including 2014 comparatives).

Copies of documents incorporated by reference into this Prospectus are available on the Bank's website within the documents available at the following links:

(1) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2016: http://www.eximbank.gov.tr/En/files/aboutUs/annual2016.pdf (at pages 91 to 196 inclusive of the 2016 Annual Report available at such link);

(2) the independent auditor's audit report and audited BRSA Financial Statements of the Issuer for the year ended 31 December 2015 (including 2014 comparatives): http://www.eximbank.gov.tr/En/files/aboutUs/BRSA_20151231.pdf;

(3) the independent auditor's review report and the unaudited interim BRSA Financial Statements of the Issuer for the six months ended 30 June 2017 (with June 2016 comparatives): http://www.eximbank.gov.tr/En/files/aboutUs/BRSA_20170630.pdf;

(4) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2016: http://www.eximbank.gov.tr/En/files/aboutUs/financialreport20161231.pdf; and

(5) the independent auditor's audit report and audited IFRS Financial Statements of the Issuer for the year ended 31 December 2015 (including 2014 comparatives): http://www.eximbank.gov.tr/En/files/aboutUs/financialreport20151231.pdf.

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.

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OVERVIEW OF THE BANK

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

The Bank, which is organised as a joint stock company, is the official export credit agency of Turkey. As set forth in Cabinet Decree No. 2013/4286 of 28 January 2013 (the "Decree"), which replaced Cabinet Decree No. 87/11914, the Bank was organised for the purposes of "the improvement of exports, diversification of exported goods and services, causing exportation to enter into new markets, increasing share of exporters in international trade, extending them such support in their ventures as shall be necessary, providing exporters and overseas contractors with support for increasing the competitiveness and security in international markets and supporting and encouraging overseas investments and production and sale of export-oriented capital goods". In order to advance these aims, the Bank provides loans, guarantees and insurance, principally to Turkish exporters. The Bank is wholly owned by the Turkish Undersecretariat of Treasury (the "Undersecretariat of Treasury"). The Bank's chartering law (no. 3332) provides that the Undersecretariat of Treasury is required to cover losses incurred by the Bank in its credit, insurance and guarantee transactions arising from political risk (such as transfer restrictions, foreign exchange restrictions or war), although the Bank bears all commercial risk in connection with such transactions. The Bank operates out of its headquarters in Istanbul and seven branches located in Ankara, Izmir, Gaziantep, Bursa, Denizli, Adana and Istanbul (European Side). The Bank also has five liaison representative offices located in Samsun, Trabzon, the Kemalpaşa Organised Industrial Zone, the Aegean Region Chamber of Industry and the Manisa Organised Industrial Zone. The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2017. See "— *Strategy — Support diversification of export markets and products*". The Bank's registered address is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 (216) 666 55 00.

In the six months ended 30 June 2017, based on aggregate Turkish exports of U.S.$77.5 billion (as reported by the Turkish Statistical Institute), the Bank provided financial support for 24.2 per cent. of total Turkish exports. In the year ended 31 December 2016, based on aggregate Turkish exports of U.S.$142.6 billion (as reported by the Turkish Statistical Institute), it provided financial support for 23.1 per cent. of total Turkish exports, as compared to 21.0 per cent. of aggregate exports in the year ended 31 December 2015. Although there was a decline in exports in 2009 due to the global financial crisis, in the past nine years Turkish exports have grown significantly from an aggregate of U.S.$107.3 billion in 2007 to U.S.$142.6 billion in 2016.

The Bank provides four main export finance related products: short-term credits, medium and long-term credits, guarantees and insurance. Its most significant product is short-term loans, which as at 30 June 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). As at 30 June 2017, the Central Bank's rediscount loans accounted for 52 per cent. of the Bank's total loans. The metal sector accounted for the largest proportion by volume of total loans at 18 per cent., with the logistics and transportation sector accounting for 17 per cent., the textile, ready to wear and leather sector accounting for 14 per cent., the wholesale trade and services sector accounting for 12 per cent., the food, agriculture and livestock sector accounting for 7 per cent., the chemicals and plastics sector accounting for 6 per cent. and the machinery and electronic appliances sector accounting for 5 per cent. of the total, in each case for the six months ended 30 June 2017. However, the Bank's strategy over the medium to long term is to shift from short-term lending to a mix of short-term and medium- and long-term lending as well as focusing on buyer credit programmes in international markets. Additionally, since 2011, the Bank has offered foreign currency options to assist Turkish exporters with

managing exchange rate risks. The Bank is an important instrument in the implementation of Turkey's economic policy, which since 1980 has focused on export-led economic growth, rather than focusing on maximising profits. The Undersecretariat of Treasury as sole shareholder of the Bank can exercise its influence over the Bank through its control of the Bank's Supreme Advisory and Credit Guidance Committee and through the appointment of the Bank's Board of Directors. See *"Risk Factors—Risk factors relating to the Bank—The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs"*. This Committee approves the Bank's annual programmes, as well as the Bank's general strategy, targeted annual volumes and key objectives for each year.

As at 31 December 2016, the Bank provided U.S.$33.0 billion in financial support to the export sector, consisting of U.S.$22.0 billion in the form of cash loans and U.S.$11.0 billion in the form of insurance and guarantees, which is equal to 23.1 per cent. of the U.S.$142.6 billion of total exports for 2016 (as reported by the Turkish Statistical Institute). The Bank's 2017 Annual Programme, which was approved in March 2017, sets a target for the Bank to provide approximately U.S.$39.8 billion in financial support to the export sector through cash loans and insurance and guarantees. As at 30 June 2017, the Bank had provided U.S.$18.7 billion in financial support (U.S.$11.7 billion in cash and U.S.$7.0 billion in non-cash support) to the export sector. Based on this performance, the Bank estimates that it will provide approximately U.S.$39.8 billion in financial support for Turkish exports in the year ended 31 December 2017, which, based on targeted Turkish exports of U.S.$153.3 billion (according to the Medium-Term Programme for 2017-2019 prepared by the Turkish Ministry of Development and announced on 6 October 2016), would amount to approximately 25.9 per cent. of total Turkish exports, as compared to the Bank's 23.1 per cent. actual share of total Turkish exports in 2016.

The long-term debt of the Bank has been rated by Moody's and Standard & Poor's since 1997 and by Fitch since 2013. The Bank's foreign and local currency long-term debt ratings assigned by Standard & Poor's are BB and BB+, respectively, with "negative" outlook, which are the same as those of the Undersecretariat of Treasury. On 26 September 2016, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba1 from Baa3, and on 20 March 2017 the outlook changed to "negative" from "stable". On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt rating of the Bank from BBB-, with a "negative" outlook, to BB+ , with a "stable" outlook.

Strengths

The Bank believes its principal strengths and competitive advantages include the following:

State-ownership and support

The Bank is wholly owned by the state of Turkey. The Undersecretariat of Treasury currently owns 100 per cent. of the Bank's shares. Additionally, the state provides support to the Bank in a variety of ways. The government has in the past regularly injected capital into the Bank, either directly to paid-in capital or to specific funds that are managed by the Bank and which are incorporated into its total equity. The zero cost of funding of this capital allows the Bank to provide exporters with Turkish Lira-denominated credit at below market rates. The state also provides indemnification for political risk and guarantees the ultimate recovery of losses in the case of credits granted by the Bank to certain countries deemed strategically important by the Turkish government. This has become more important as the Bank expands its international loans programme into new markets for Turkish exports. In addition, the Bank is currently exempt from corporate income tax, stamp tax and Central Bank reserve requirements. Such government support increases the Bank's competitiveness in the Turkish export finance market and helps to maintain its well-established position as the leader in the Turkish export finance market (source: the Bank's Financial Statements and the BRSA website, 2017).

Leading provider of export finance in Turkey

The Bank is the leading provider of export finance, having provided financial support for 23.1 per cent. of Turkish exports in 2016 through its export finance-related products. As the Turkish economy and exports grow, the Bank expects further opportunities to grow its loan portfolio. Since the 1980s, successive Turkish governments have focused on export-led economic growth and as Turkey's official export credit agency, the Bank has played a central role in that government policy. The Bank expects it will continue to be a major instrument for the government's policies as Turkey focuses on improving its current account balance.

Diverse range of products

The Bank's export finance-related programmes include not only export credit but also export credit insurance and international loan programmes and guarantee programmes. Through its export credit programmes, the Bank offers both short-term and medium- to long-term credit to exporters. The Bank also offers specific credit programmes for small and medium enterprises, businesses located in priority investment areas, shipbuilders and tourism companies, amongst others. The Bank is able to create tailored products to meet new demand or implement new strategies. For example, the Bank believes that, in the long term, overseas construction and investment will play an important role in increasing Turkey's foreign currency earnings, accordingly it has developed a special programme to provide assistance for the construction of department stores overseas which are also intended to support exports of consumer goods.

Strong financial position

The Bank maintains a high capital adequacy ratio, driven by the capital contributions from the Turkish Treasury and retained earnings. Under Basel II standards, the Bank's capital adequacy ratio reported to BRSA was 15.09 per cent. as at 30 June 2017. Additionally, the Bank seeks to mitigate credit risk by taking on only Turkish commercial bank risk and no exporter risk through its indirect lending programme for short-term credit, which is one of the Bank's largest programmes, and does not extend new loans unless collateralised (with a Turkish commercial bank guarantee or otherwise). The Bank also requires Turkish commercial bank guarantees under many of its direct lending programmes, resulting in a low level of impaired loans. With respect to provisioning policies, the Bank pursues a conservative approach.

Strategy

The Bank's overall strategic goal is to augment the export capacity of high quality Turkish products and services and continue to support Turkish exporters as Turkey's official export credit agency. It intends to achieve this goal by continuing to implement the following key strategies:

Substantially grow cash and non-cash lending; increase share of medium and long-term programmes

Currently, the Bank is principally engaged in providing short-term export financing to Turkish exporters. Going forward, the Bank plans to gradually change the focus of its activities to include a greater proportion of medium- and long-term cash and non-cash loan programmes and guarantees and substantially increase its overall volume of activity. In the future, the Bank plans to leave short-term export financing to commercial banks and to focus more on medium-term loan facilities, as well as guarantees and insurance activities that generate fees and commissions.

Support diversification of export markets and products

The Bank is focused on achieving product and country diversification of Turkish exports as well as increasing the share of Turkish exporters in international trade. Other objectives include developing new export markets through international loans credit and similar programmes and providing support and risk management options for Turkish exporters, investors and overseas contractors. The Bank seeks to diversify and expand its activities in order to encourage Turkish exports and economic growth as set forth in the Turkish government's

economic policy. The Bank's overall volume of financial support to Turkish exporters through its credit, insurance and guarantee programmes was U.S.$32.9 billion as at 31 December 2016. In 2017, the Bank estimates that it will provide U.S.$39.8 billion in financial support to Turkish exporters through its credit, insurance and guarantee programmes.

In furtherance of this strategy, the Bank intends to continue gradually to expand its branch network in Turkey by opening additional branches in Konya, Kayseri, Antalya and Istanbul (Anatolian Side) in 2017. The Bank is continuing to expand its direct lending to exporters, as well as its insurance and other programmes, in order to support Turkish exporters.

Alignment with Government development strategy

The Turkish government's Medium-Term Programme for 2017-2019 seeks to ensure sustainable growth, reduce the current account deficit predominantly through foreign direct investments, and improve the international investment environment, increase employment and achieve and maintain a single-digit inflation rate. The Bank's strategies take into account such goals and the Bank aims to contribute to building a positive image of Turkish products in the international markets by providing credit programmes that meet exporters' needs. The Bank also provides certain credit programmes and benefits that are targeted at assisting small and medium enterprises and government-designated priority investment regions. In addition, the Bank places importance on its International Loans Programme (a buyer's credit/guarantee scheme) with key trading partners in Asia and Africa.

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" in the Base Prospectus and "Issue Terms" below. 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.$500,000,000 4.250 per cent. Notes due 2022.
Interest and Interest Payment Dates	The Notes will bear interest from and including the Issue Date to (but excluding) the Maturity Date, at the rate of 4.250 per cent. per annum. Interest will be payable semi-annually in arrear on each of 18 March and 18 September in each year up to (and including) the Maturity Date, provided that if any such date is not a Payment Business Day (as defined in Condition 7.6), then the Noteholders will not be entitled to payment until the next following Payment Business Day in the relevant place and will not be entitled to further interest or other payment in respect of such delay. The first interest payment (representing a full six month period) will be made on 18 March 2018.
Issue Date	18 September 2017.
Maturity Date	18 September 2022.
Use of Proceeds	The net proceeds of the Offering will be used by the Issuer for general corporate purposes.
Status	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Certain Covenants	The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates. See Condition 5.
Redemption for Taxation Reasons	See Condition 8.2.

Redemption on a Change of Control	See Condition 8.5.
Taxation; Payment of Additional Amounts	See Condition 9. As at the date of this Prospectus, withholding tax at the rate of 0 per cent. applies on interest on the Notes. See "*Taxation — Certain Turkish Tax Considerations*" in the Base Prospectus.
Events of Default	The Notes will be subject to certain events of default, including (among others) non-payment, breach of obligations, cross acceleration and certain bankruptcy and insolvency events. See Condition 11.
Form, Transfer and Denominations	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 Condition 2 and "Form of the Notes" below. Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See "*Subscription and Sale*" in this Prospectus and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. 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 Notes. Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. See Condition 1.
Governing Law	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.
Listing	An application has been made to the Irish Stock Exchange 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.
Turkish Selling Restrictions	The offer and sale of the Notes (or beneficial interests therein) is subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale and Transfer and Selling Restrictions — Selling Restrictions —Turkey*" in the Base Prospectus.
Selling Restrictions	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), except to QIBs that are also QPs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The offer and sale of Notes is also subject to restrictions in Turkey and the United Kingdom. See "*Subscription and Sale*" in this Prospectus and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.
Risk Factors	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 "*Risk Factors*" herein and in the Base Prospectus.
Issue Price	99.333 per cent. of the principal amount of the Notes payable in full in U.S. Dollars on the Issue Date.
Yield	4.400 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Regulation S Security Codes	ISIN: XS1684378208 Common Code: 168437820
Rule 144A Security Codes	ISIN: US90015LAC19 CUSIP: 90015LAC1 Common Code: 168480431

Representation of Noteholders	There will be no trustee.
Expected Ratings of the Notes	Ba1 by Moody's BB+ by Fitch
Fiscal Agent and Principal Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read this entire Prospectus and the sections of the Base Prospectus incorporated by reference herein. In addition, prospective investors should carefully consider the information contained in the other documents (or parts thereof) that are incorporated herein by reference, and in particular should consider all the following risks inherent in making such an investment and the information under the headings "Risk Factors – Risks related to the Structure of a Particular Issue of Notes" and "Risk Factors – Risks related to Notes Generally" (as revised hereby) in the Base Prospectus (the "Programme Risk Factors"), before making a decision to invest in the Notes. If any of the following risks or those outlined in the Programme Risk Factors actually occurs, the Bank's business, financial condition, results of operations and prospects may be materially and adversely affected and the market value of the Notes may be adversely affected. The Bank believes that the factors described below and the Programme Risk Factors (as amended below) represent the principal risks inherent in investing in the Notes, but the Bank does not represent that the factors described below and the Programme Risk Factors regarding the risks of holding any Notes are exhaustive.

Risk factors relating to the Bank

The Bank is entirely state-owned and is subject to government control

The Bank is entirely state-owned and is subject to government control, and the Turkish government's interests may conflict with the interests of Noteholders.

The Bank is 100 per cent. owned by Turkey through the Turkish Undersecretariat of Treasury. The interests of the Turkish government and the Undersecretariat of Treasury may differ from those of the Noteholders and there can be no assurance that the Undersecretariat of Treasury's policies and decisions regarding the Bank will not negatively affect the Noteholders. In particular, the Bank is an instrument of Turkish government policy as Turkey's official export credit agency, rather than being primarily a profit-oriented institution. See "*Business — Ownership and Capital Structure*". The Bank has been mandated to support foreign trade and Turkish investors operating overseas and certain of the other principal strategies of the Bank are determined by Turkey's priorities, such as supporting companies in priority development regions and small and medium enterprises. Moreover, although the Bank has not experienced pressure from the Undersecretariat of Treasury to date to conduct transactions upon more favourable terms with Turkish state-owned or state-controlled legal entities or to deviate from its credit and lending policies and procedures, there can be no assurance that the Bank will not be directed or come under pressure to engage in activities with a lower profit margin than it would otherwise pursue or to provide financing to certain companies or entities on favourable or non-market terms. Any such strategies or actions may not necessarily be the same as those pursued by an independent profit-oriented institution.

Furthermore, the Bank has in the past been supported by capital contributions from the Undersecretariat of Treasury. Such contributions are subject to the budgeting process of the Turkish government and may be subject to delay as a result of the government appropriation cycle, the fiscal situation of the Turkish government or other political developments. See "*— The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs*". Moreover, the Bank's credit rating is directly correlated with the rating of the Turkish sovereign and any change in the sovereign credit rating is likely to have a direct impact on the Bank's credit rating and cost of borrowing, which would also impact its capital adequacy ratio. See "*— A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating and may lead to a decrease in the Bank's capital adequacy ratio*".

The Bank has substantial credit exposure to financial institutions in Turkey

The Bank's total loans net of loan loss provisions were TL 66.1 billion, or 94 per cent. of its total assets, as at 30 June 2017. Substantially all of these loans and advances were made to exporters and financial intermediaries located in Turkey. As at 30 June 2017, 10 per cent. of the Bank's total loans were extended to Turkish commercial banks, primarily through the Bank's indirect lending under export credit programmes. The Bank's indirect lending programmes operate through 35 of Turkey's 51 banks (including participation banks), which in turn on-lend to Turkish exporters, who are required to comply with lending criteria established by the Bank. A majority of this exposure is concentrated with the largest public and private commercial banks in Turkey. The commercial banks to which the Bank has lent money typically bear the default risk of the underlying exporters. See "*Business — Banking Activities — Short-Term Export Credits— Indirect Lending*" for a description of the Bank's indirect lending programmes. As at 30 June 2017, the ten largest borrowers of the Bank (measured by the amount of credit exposure under cash loans) represented 19 per cent. of the Bank's loan portfolio. The profitability of many Turkish banks has been negatively affected in recent years, particularly in the short-term and possibly in the long-term, as a result of a number of factors that generally impact the Turkish banking sector. Such factors include the contraction of interest margins, higher reserve requirements, increased volatility due to domestic political uncertainty increasing other operating expenses and increased competition among institutions.

The Bank also lends directly to Turkish exporters through its short-term export credit direct lending programmes (see "*Business — Banking Activities — Short-Term Export Credits — Direct Lending*") and through its medium- and long-term loans programmes (see "*Business — Banking Activities — Medium- and Long-Term Export Credits*"). As at 30 June 2017, direct lending accounted for 90 per cent. of the Bank's total loans. The Bank requires Turkish commercial bank guarantees under many of its direct lending programmes. In particular, all short-term credit provided directly by the Bank is 100 per cent. secured, principally by Turkish commercial bank guarantees. As a result, the Bank is also exposed to Turkish commercial banks in relation to a substantial portion of its direct lending portfolio, although the proportion of direct lending extended without guarantees by Turkish commercial banks in the Bank's loan portfolio is expected to increase in future periods. The Bank is continuing to focus on direct lending, including through the expansion of its branch network. See *" — The Bank may face increased risks as it continues to shift its focus towards direct lending"*.

The Bank's total loans have expanded significantly from TL 43.2 billion as at 31 December 2015 to TL 61.6 billion as at 31 December 2016 and TL 66.1 billion as at 30 June 2017. While the Bank continued to maintain its credit quality during these periods, with the absolute amounts of impaired loans and the proportion of impaired loans to gross loans in the Bank's loan portfolio remaining stable, there can be no assurance that the Bank will be able to maintain adequate credit quality in the future.

Given the Bank's indirect lending activities through Turkish commercial banks and dependence on Turkish commercial bank guarantees through its direct lending programmes, a downgrade of the Republic of Turkey's credit rating could also adversely affect the credit rating of Turkish banks, which could, in turn, adversely affect the Bank's credit risk as well as its capital adequacy ratio. See "*— A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating and may lead to a decrease in the Bank's capital adequacy ratio*".

As a result of the foregoing factors, the Bank's business significantly depends upon the ability of Turkish commercial banks and other financial institutions as well as exporters to which the Bank lends to make payments and meet their other obligations, which in turn are materially impacted by the strength of the Turkish economy and financial and banking sector, as well as political stability in Turkey. See "*— Risk factors relating to Turkey"* below. In particular, Turkey is located in a region that has been subject to ongoing political and security concerns which have exacerbated in recent months, including but not limited to the

attempted military coup in Turkey in July 2016. The aftermath of the attempted coup and/or any other negative developments could have a material impact on economic conditions in Turkey generally. See "—*Political developments in Turkey may have a material adverse effect on the Bank's business*" and "—*The attempted military coup in Turkey and its aftermath may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

Any negative development within the Turkish banking sector, economy or political system could adversely affect the Bank's strategy and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's business depends on demand for Turkish exports, which are concentrated by region and sector

As Turkey's export credit agency, the Bank supports Turkish exporters, contractors and investors through various credit, guarantee and insurance programmes, substantially all of which are short-term (with 62 per cent. of the Bank's total loans as at 30 June 2017 having an initial term of one year or less). Accordingly, the Bank's business and growth prospects significantly depend on demand for Turkish exports. Adverse changes in the general level of Turkish exports would affect demand for the Bank's products and services, and reduce the size of the Bank's loan portfolio.

The business sector and geographic distribution of the loans extended by the Bank are closely related to the composition of Turkish exports, and the Bank's loan portfolio relates to exports concentrated in certain countries and sectors. As at 30 June 2017, 47 per cent. of the Bank's credits related to exports to the European Union, 4 per cent. to other European countries, 14 per cent. to the Middle East and North Africa, 7 per cent. to the United States and Canada combined and 28 per cent. to other countries. As at 30 June 2017, based on volume of exports, the metal sector accounted for the largest proportion of the Bank's total loans at 18 per cent., with the logistics and transportation sector accounting for 17 per cent., the textile, ready to wear and leather sector accounting for 14 per cent., the wholesale trade and services sector accounting for 12 per cent., the food, agriculture and livestock sector accounting for 7 per cent., the chemicals and plastics sector accounting for 6 per cent. and the machinery and electronic appliances sector accounting for 5 per cent.

The recovery in many of Turkey's principal markets for goods and services remains extremely fragile; see "—*The Bank's business is subject to macroeconomic and financial market conditions"*. Any deterioration of the political and economic conditions in these countries, particularly in the European Union and especially Germany, or a downturn in any of these sectors, individually or in the aggregate, may adversely affect the general demand for Turkish exports and the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in loans to exporters, defaults on their obligations owed to the Bank or a need for the Bank to increase provisions in respect of such loans, any of which could have an adverse effect on the Bank's business, financial condition and results of operations.

The Bank's business is subject to macroeconomic and financial market conditions

Economic conditions in Turkey and globally have a significant impact on the level of Turkish exports and the Bank's performance. Although Turkey has experienced GDP growth each year since 2010, there can be no assurance that trends in growth and export will continue in light of global and local macroeconomic conditions. In 2016, Turkish GDP grew by 2.9 per cent. and exports decreased marginally. This followed a 9 per cent. decrease in exports in 2015 as a result of adverse economic conditions, which affected import volumes in certain target markets, including the European Union. A reduction in the level of Turkish exports or difficult macroeconomic or financial market conditions could adversely affect the Bank's business, financial condition and results of operations.

In October 2016, the Turkish government announced a new three-year medium-term economic programme from 2017 to 2019. As part of the programme, the Turkish government estimated that GDP would grow by 4.4 per cent. in 2017 and set a growth target of 5.0 per cent. for each of 2018 and 2019. The targets set out in Turkey's medium-term economic programme may be revised further. Moreover, there can be no assurance that the Turkish government will implement its current and proposed economic and fiscal policies successfully.

Furthermore, the Central Bank has sought to tighten monetary policy since the second half of 2010 using various policy tools, including increasing reserve requirements, widening the interest rate floor and ceiling and increasing reserve requirement ratios. Since 2013, the Central Bank has taken measures to support financial stability through an asymmetric interest rate floor and ceiling approach to adjust liquidity in the market. Renewed tightening of monetary policy could adversely affect the Turkish economy and banking sector, which, in turn could adversely affect the Bank's business, financial condition and results of operations. The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey.

Turkey's growth may also be negatively impacted by monetary policy in the United States. The United States Federal Reserve ended its quantitative easing programme in October 2014 and raised interest rates in December 2015 for the first time since the financial crisis. It subsequently raised interest rates by 0.25 per cent. in each of December 2016, March 2017 and June 2017 and has indicated that it may continue gradually to increase interest rates depending on economic conditions. Tighter monetary policy in the United States may result in reductions in global liquidity, decreases in fund flows to emerging markets and continuing volatility in the markets.

Furthermore, in recent years, political instability has increased markedly in a number of other countries in the Middle East and North Africa, such as Iraq, Syria, Libya, Yemen, Egypt, Bahrain and Qatar. In particular, as a result of the civil war in Syria and political and security developments in Iraq, an increased number of refugees are fleeing to Turkey. See "— *Turkey and its economy are subject to external and internal unrest and the threat of terrorism*". Turmoil in Iraq, which is Turkey's third largest trading partner (in terms of exports), and Syria has negatively impacted the transport of Turkish exports to these countries and on transit routes through these countries to other regions in the Middle East. In addition, in June 2017, Saudi Arabia, Egypt, Bahrain, the United Arab Emirates ("UAE") and Yemen cut diplomatic ties with Qatar and imposed land, sea and air blockades, accusing Qatar of supporting terrorism. The Maldives and Libya's eastern-based government later followed suit. Although the Bank does not expect that the events related to Qatar will have a direct impact on the Bank, it is uncertain at this stage how the events relating to Qatar will develop or how the situation may impact Turkey, the region or emerging markets generally.

In November 2015, tensions with Russia increased due to Turkey's downing of a Russian combat aircraft near Turkey's border with Syria. In January 2016, Russia implemented economic sanctions against Turkey primarily aimed at Turkey's agriculture, tourism and construction sectors. However, on 30 June 2016, Russian President Vladimir Putin signed a decree lifting the ban on the sale of package tourism tours to Turkey and ordered the Russian government to allow charter flights to start flying to Turkey again, which may signal the beginning of improved relations between Russia and Turkey. President Putin has also ordered the Russian government to normalise trade ties with Turkey and has encouraged Turkey to take certain steps that he views as a prerequisite to the lifting of an embargo on certain food items. However, there can be no assurance that such developments will result in a full normalisation of relations between Russia and Turkey. Should the situation in these countries worsen or continue into the longer term, Turkish exports could be adversely affected, which could, in turn, have an adverse effect on the Bank's business, financial condition and results of operation. Unrest in these countries may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey, and towards

securities originating in Turkey. There can be no assurance that the disturbances will not have political repercussions within Turkey. The situation may therefore have a negative impact on the Turkish economy and the level of Turkish exports, which could in turn adversely affect the Bank's business, financial condition and results of operations.

Additionally, turmoil in the European sovereign debt market and the spreading of the Eurozone crisis beyond the Eurozone periphery to larger economies, such as Italy and Spain, led to significant contraction or decreases in growth in the countries comprising the Eurozone through 2013. Furthermore, there are a number of uncertainties arising in connection with the United Kingdom's vote to leave the EU and the negotiations related to such withdrawal, although the Bank expects the impact of the United Kingdom's departure from the EU on its operations to be limited. More recently, political tensions have arisen between Germany and Turkey in connection with Germany's federal elections. Continued weakness in or material deterioration of the EU economy, given the strong economic and trade ties between Turkey and the EU, could have an adverse effect on Turkey's economy and the Bank's business, financial condition and results of operations.

The Bank and its customers operating in Turkey continue to remain vulnerable to other external financial and economic factors. These factors could have a material adverse impact on financial markets and economic conditions throughout the world and, in turn, the market's anticipation of these impacts could have an adverse effect on the Bank's business, financial condition and liquidity. In particular, these factors could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. The Bank's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy over the near to medium term remains challenging, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Turkey.

The Bank relies on periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs

The Bank has since its inception received and may in the future continue to receive periodic contributions of capital and certain other transfers of monies from the Treasury in order to support its activities, maintain its capital adequacy and meet its funding needs. See *"Capitalisation"*. As the sole shareholder of the Bank, the Treasury has made capital contributions to the Bank, and direct funding from the Treasury through capital increases and transfers from extra-budgetary funds have been the main sources of funding for the Bank (together with borrowings from the Central Bank, commercial banks and international financial markets). In total, the Bank has received U.S.$1.89 billion (TL 4.14 billion) in capital contributions from the Treasury since 2006. The most recent capital contribution from the Treasury was received in August 2017. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Shareholders' Equity"*. Any capital contribution from the Treasury must be included within the proposed budget for the following year and the amount is only paid out to the Bank after the budget is approved. Budget proposals are prepared and submitted by the various government institutions in July of each year (for some institutions, proposals are submitted by September). The proposals are then evaluated and finalised by the Ministry of Development and Budget and Financial Control General Directorate and are submitted to the Council of Ministers. Final budget proposals are submitted to the Turkish Parliament by the Council of Ministers and then ratified by the General Assembly of the Turkish Parliament by the end of December. Therefore, there can be significant delays before the Bank receives planned capital contributions and such contributions are subject to any delays or other issues in the Turkish budgeting process. Moreover, historically, the Bank has only paid the Treasury the minimum statutorily mandated dividend payments; however, there can be no assurance that the dividends paid may not increase in the future through increases in statutory minimum requirements or otherwise.

In addition, the Treasury provides indemnification for certain political risks in relation to the Bank's insurance and loan programmes, particularly its International Loans Programme, which provides credit to overseas buyers, and in the case of concessional credit given to countries that the government has deemed strategically important to Turkey, the Treasury covers the total income loss. See *"Business — Banking Activities — Insurance"* and *"Business — Banking Activities — Medium- and Long-term Export Credits — International Loans Programme"*. Indemnification for such political risks or loss is subject to delays because payment of any such amounts is subject to the Turkish state budgeting process. Accordingly, payment of such amounts may be subject to substantial delays and, although payment of such claimed amounts has not been disputed in the past, there is no assurance this will be the case in the future, particularly as the Bank continues to expand its medium-term lending and international loans programme. The Bank also seeks to further mitigate such risks through the purchase of reinsurance from commercial reinsurers, although there can be no assurance that all political risks will be fully covered. The Turkish state does not provide indemnification to the Bank for commercial risks and such risks are fully borne by the Bank (see *"— The Bank is subject to credit risk from its reinsurers and may have difficulty obtaining reinsurance on commercially acceptable terms").*

The delay or failure of the Treasury to meet its funding commitments or political risk indemnification and other obligations when they arise could have an adverse impact on the Bank's short-term liquidity and its capital adequacy ratio and could limit its ability to grow its loan portfolio, which could in turn have an adverse effect on its business, financial condition, results of operations and prospects.

Any future unavailability of capital markets and loan financing could have an adverse effect on the Bank's business, financial condition and results of operations

In addition to the capital contributions and other monies received from the Treasury, the Bank has relied on third party financing, including financing from syndicated and bilateral loans (including from the World Bank and the European Investment Bank), the Central Bank and from the issuance of notes and other debt securities, including in the international capital markets, with U.S.$2.25 billion of issuances since 2012. The Bank expects to continue to depend on such financing in the future as it seeks to expand its medium- and long-term lending. As at 30 June 2017, total borrowings constituted 85 per cent. of the Bank's total liabilities. The Bank obtains funding from the Central Bank, which increased from TL 22,589 million as at 31 December 2015 to TL 32,184 million as at 31 December 2016 and to TL 33,920 million as at 30 June 2017. There can be no assurance that capital markets or loan financing will continue to be available to the Bank or that such borrowings will be available on commercially reasonable terms. As discussed under *"—The Bank's business is subject to macroeconomic and financial market conditions,"* the global financial system and emerging market economies in particular remain subject to systemic shocks that can result in substantially eroded liquidity and increased spreads of capital markets funding and the crisis related to the threat of sovereign defaults in several EU member states, and concerns regarding a "double-dip" recession also increased spreads and increased volatility in global markets. Particularly in light of the volatility in the market for emerging market debt, the Bank may have difficulty extending and/or refinancing its existing indebtedness. If at some point in the future, further bond issuances are not possible on commercially acceptable terms or at all and/or syndicated and bilateral loan financing become unavailable, this could have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

Fluctuations in foreign exchange rates, to the extent they are not adequately hedged against, may adversely affect the Bank's business, financial condition and results of operations

A significant percentage of the Bank's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and euro. As at 30 June 2017, 86 per cent. of the Bank's total assets and 91 per cent. of the Bank's total liabilities were denominated in foreign currencies, principally the U.S. Dollar and euro. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/(losses) realised upon the sale of such assets, to Turkish Lira in preparing its financial statements.

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As a result, the Bank's reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies (primarily the U.S. Dollar and euro).

The overall effect of exchange rate movements on the Bank's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against other currencies in which the Bank transacts or has monetary assets and liabilities (primarily the U.S. Dollar and the euro). The Turkish lira has been depreciating against the U.S. Dollar, having depreciated by 25.4 per cent. and 20.8 per cent. during 2015 and 2016, respectively. The Bank has a policy to hold foreign currency asset and liability items together with derivatives to hedge against foreign currency risk. For the six months ended 30 June 2017 and the year ended 31 December 2016, the Bank recorded a net foreign exchange gain of TL 446 million and a net foreign exchange loss of TL 1,001 million, respectively. As at 30 June 2017, a hypothetical depreciation of the Turkish Lira by 10 per cent. against other currencies (holding all other variables constant) would have had a positive TL 6,575 thousand impact on the net profit of the Bank for the six months ended 30 June 2017, while a hypothetical appreciation of the Turkish Lira by 10 per cent. against other currencies (holding all other variables constant) would have had a negative impact on net interest income for that period of the same amount, in each case taking into account the effect of foreign exchange related derivatives.

Moreover, as occurred in the Turkish banking crisis in 2001, any rapid depreciation of the Turkish Lira against major international currencies may make it more difficult for Turkish borrowers to repay their foreign currency denominated loans. More recently, on 21 July 2016 the U.S. Dollar to Turkish Lira exchange rate was U.S.$1 to TL 3.07. By 18 August 2016, following the attempted military coup, the exchange rate was U.S.$1 to TL 2.92 (a decrease of 4.89 per cent.). As at 30 June 2017, the exchange rate was U.S.$1 to TL 3.5071.

Although the Bank has adopted procedures and policies aimed at minimising foreign exchange risks (see *"Risk Management — Currency Risk")*, these measures may not adequately protect the Bank's business, financial condition and results of operations from the effect of exchange rate fluctuations or may limit any benefit that the Bank might otherwise receive from favourable movements in exchange rates.

The Bank may face increased risks as it continues to shift its focus towards direct lending

Although historically, the Bank's lending activities were focused on indirect lending, over the past several years, the Bank has gradually increased the share of direct lending to exporters in its loan portfolio. As at 30 June 2017, direct lending accounted for 90 per cent. of the Bank's total loans, compared to 53 per cent. as at 31 December 2010. This increase has mainly been due to the increasing volume of rediscount credits in the Bank's loan portfolio. The Bank is continuing to focus on direct lending, including through the expansion of its branch network. The Bank requires Turkish commercial bank guarantees under many of its direct lending programmes. In particular, all short-term credit provided directly by the Bank is 100 per cent. secured, principally by Turkish commercial bank guarantees. However, the proportion of direct lending extended without guarantees by Turkish commercial banks in the Bank's loan portfolio is expected to increase in future periods, although this increase is expected to be gradual and in instances where a commercial bank guarantee is not provided, this will be replaced by other forms of collateral in accordance with the banking principles prevailing in the Turkish banking system under the supervision of BRSA. The Bank's credit risk may nonetheless increase by virtue of its exposure directly to exporters rather than Turkish commercial banks. See *" — The Bank has substantial credit exposure to financial institutions in Turkey"* for further detail on exposure to Turkish commercial banks.

In order to accommodate its increased focus on direct lending to exporters, the Bank is expanding its branch network. This increased focus has also entailed a shift in the Bank's personnel, IT and risk management strategies. While the Bank believes that it has sufficient resources to manage any increased credit, risk management or other operational risks arising from its increased focus on direct lending, any failure to manage these risks in the future may negatively affect the Bank's credit quality or its business, financial condition and results of operations.

The Bank may face increased risks as it focuses more on medium- and long-term lending and its International Loans Programme

The Bank's most significant product is short-term loans, which as at 30 June 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). However, the Bank intends to continue to shift its lending from primarily short-term lending to increased amounts of medium-and long-term lending. Additionally, the Bank seeks to grow its International Loans Programme, which provides credit to buyers of Turkish exports located outside of Turkey. The Bank's successful execution of this strategy, which will involve increased risk, depends upon a number of factors including:

- its ability to expand or enhance existing risk management, information processing, technology, and other operational infrastructures effectively and efficiently;
- its ability to identify and manage additional overseas risk exposure relating to new or heightened geographic, political and economic factors resulting from the expansion of its International Loans Programme;
- its ability to manage the liquidity and capital requirements associated with growth in its medium- and long-term loan portfolio and the increase in off balance sheet liabilities stemming from growth in insurance and guarantee activities; and
- its ability to attract customers to its medium- and long-term credit programmes.

Although the Bank currently has in place initiatives intended to address these factors, failure to execute these initiatives successfully could adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to credit risk from its reinsurers and may have difficulty obtaining reinsurance on commercially acceptable terms

Under its export credit insurance programmes, the Bank provides insurance to customers for up to 90 per cent. of the value of export receivables for losses due to commercial and political risk. The Bank reinsures 60 per cent. of the commercial risk and, in the case of exports to countries that are not OECD members, 60 per cent. of the political risk (within specific country limits agreed to with reinsurance counterparties). This reinsurance arrangement is entered into to enable the Bank to manage its risks on individual policies. As at 30 June 2017, the total aggregate amount of value underlying the insurance policies transferred by the Bank to reinsurance companies was U.S.$2.1 billion. The reinsurance arrangement does not discharge the Bank from primary liability to the insured, and the Bank is required to discharge its liability to the insured even if the reinsurer is unable to meet its obligations under the reinsurance arrangements. Reinsurance arrangements also decrease premiums retained by the Bank since it pays the reinsuring company a portion of total premiums based upon the amount of liability reinsured. The Bank's inability to procure reinsurance or failure by reinsurance counterparties to fulfil their obligations to make payments under reinsurance arrangements could adversely affect the Bank's business, financial condition and results of operations.

The Bank faces competition from Turkish commercial banks and other financial services companies

The Bank competes for customers with other financial services companies, particularly local commercial banks, in the short-term lending market, with foreign insurance companies offering export credit insurance and with other export-import agencies in the overseas buyer's credit market. The Turkish banking sector is highly competitive and dominated by a small number of banks. As at 31 December 2016, 47 banks (including domestic and foreign banks, but excluding the Central Bank) were operating in Turkey (excluding participation banks). The ten largest deposit-taking banks accounted for 89.8 per cent. of total assets of deposit-taking banks as at 31 December 2016, according to the BRSA. Foreign banks have shown an increased interest in the banking sector in Turkey, with some acquiring interests in Turkish banks, while foreign insurance companies and export credit agencies have started offering insurance products, including export credit insurance, in Turkey. There can be no assurance that the Bank will be able to effectively address domestic and foreign competitive pressures.

In addition, Turkish banks have traditionally held a significant proportion of their assets in Turkish government securities. From 2008 through 2014, interest rates in Turkey declined substantially and demand for credit grew, which made holding government bonds a relatively less profitable strategy. As a result, banks shifted assets and demand for credit shifted towards higher yielding assets, such as loans to customers. This resulted in increased competition for customers. Although the Central Bank began raising interest rates in 2014 to combat inflation, competition remained intense in the Turkish banking sector and there can be no assurance that further competitive pressures will not result in continued margin compression, downward pressure on interest income and upward pressure on marketing and other promotional costs, which could adversely affect the Bank's business, financial condition and results of operations.

The loss of certain support that the Bank currently receives from the Turkish government, such as tax exemptions, may affect the Bank's profitability

The Turkish government currently provides support to the Bank in a variety of ways. In addition to receiving capital contributions, the Bank is currently exempt from corporate income tax as a state-owned enterprise pursuant to Article 4 of Law No. 3332, published in the Official Gazette dated 31 March 1987 and numbered 19417. The Bank is also exempt from certain CBRT reserve requirements and is not required to hold provisions under the BRSA. However, there can be no assurance that such measures will continue in the long-term or otherwise. Any loss of government support for the Bank as a result of any future changes to policy, laws and regulations could adversely affect the Bank's business, financial condition and results of operation.

The Bank may be adversely affected by liquidity risk

Liquidity risk comprises uncertainties in relation to the Bank's ability to access funding necessary to cover obligations to borrowers, satisfy maturing liabilities and satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Bank's liabilities reasonably in line with assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. As at 30 June 2017 and 31 December 2016, the Bank maintained a positive liquidity gap for maturities (by group) that are up to one month, three months to one year and one year to five years, while the total net liquidity gap as at 30 June 2017 and 31 December 2016 (which includes those over five years and those with no maturity) was also positive. See "*Risk Management — Liquidity Risk*". The Bank's principal sources of funding are capital contributions and other transfers from the Treasury, loans from domestic and international banks, borrowings from the Central Bank, and monies received from the issuance of notes and other debt securities (including in the international capital markets). Unlike most commercial banks, the Bank does not accept any retail or corporate deposits.

Due to the Bank's policy orientation and mandate to facilitate and encourage loans for Turkish exporters, the Bank historically has had a high proportion of assets held in loans (94 per cent. of the Bank's assets were

loans as at 30 June 2017) and the Bank's principal liquidity source consists of short-term loans. The average remaining maturity of the Bank's loan portfolio as at 30 June 2017 and 31 December 2016 was 408 days and 461 days, respectively. As at 30 June 2017 and 31 December 2016, the average remaining maturity of the Bank's funds borrowed, along with the Existing Notes (as defined below) and interbank money market deposits, was 597 and 574 days, respectively. As at 30 June 2017, the Bank's average liquid assets/average total assets ratio was 4.4 per cent. and its average liquid assets/average short-term liabilities ratio was 7.59 per cent. See *"Risk Management — Liquidity Risk"*. The Bank may be exposed to maturity mismatches between its assets and liabilities (including currency mismatch), which may lead to a lack of liquidity at certain times. In the event of liquidity gaps, access to other funding sources, such as capital infusions from the Treasury, Central Bank repos or the capital markets, may not be available, or may be available only following delays, at higher cost, or such funding sources may be less advantageous to the Bank in other respects. The Bank's liquidity risk could be increased by market disruptions or credit downgrades of the Bank or of the Republic of Turkey or budgetary constraints of the Republic of Turkey, which may reduce the availability of funding. The Bank's inability to meet its net funding requirements due to inadequate liquidity could adversely affect its business, financial condition and results of operations.

The Bank may be negatively affected by volatility in interest rates

Net interest income represents a substantial proportion of the Bank's operating profit before operating expense. Net interest income contributed 95 per cent., 127 per cent., 101 per cent. and 102 per cent. of total operating profit for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, respectively. The Bank's high dependence on net interest income may affect the stability of its earnings in time of high interest rate volatility. As at 30 June 2017, the effect of a hypothetical 5 per cent. increase in TL interest rates, with all other variables held constant, would have been a TL 106,448 thousand decrease in net interest income for the six months ended 30 June 2017 and the effect of a hypothetical 4 per cent. decrease in TL interest rates, with all other variables held constant, would have been a TL 92,180 thousand increase in net interest income for the period. As at 30 June 2017, the effect of a hypothetical 2 per cent. increase in EUR and U.S.$ interest rates, with all other variables held constant, would have been a TL 48,165 thousand decrease and a TL 162,472 thousand increase, respectively, in net interest income for the six months ended 30 June 2017, and the effect of a hypothetical 2 per cent. decrease in EUR and U.S.$ interest rates, with all other variables held constant, would have been a TL 22,190 thousand increase and a TL 177,513 thousand decrease, respectively, in net interest income for the period.

Fluctuations in interest rates can adversely affect the Bank's net interest income in a number of different ways. The interest rates charged by the Bank for all loans denominated in TL (except for the floating interest rate of loans under the Bridge Credit Programme for Overseas Contractor Services, the Shipbuilding Finance and Guarantee Programme, the Credit Programme for Foreign Currency Earning Services and Overseas Chain Stores Investment Credit Programme) and for loans with maturities of six months or less under its foreign currency denominated loan programmes are fixed rates, determined prior to issuance depending upon the maturity of the loans, the loan amounts and other factors, while the Bank charges floating rates on its foreign currency denominated loans with maturities of more than six months. As at 30 June 2017 and 31 December 2016, 2015 and 2014, 59 per cent., 59 per cent., 60 per cent. and 73 per cent., respectively, of the Bank's loans were at fixed rates. In decreasing interest rate environments, the Bank's credit products may become relatively less attractive to customers as the pricing differential becomes smaller between the Bank's TL loans (which are generally set based on a margin that seeks to cover the Bank's operating expenses over its zero cost capital base) and credit products offered by commercial banks (who typically benefit from a lower cost of funding in a low interest rate environment). An increase in interest rates would generally decrease the value of the Bank's fixed rate loans and, since the Bank borrows from various Turkish commercial banks and other international financial institutions to fund its lending activities, any such increase may raise the Bank's funding costs. An increase in interest rates could also decrease the value of fixed rate debt securities in the

Bank's securities portfolio. In addition, an increase in interest rates may increase the risk of customer default (whether directly through exporters and the Bank's lending programmes or indirectly through the impact on the Bank's significant base of Turkish commercial bank intermediaries), while general volatility in interest rates may result in a gap between the Bank's interest-rate sensitive assets and liabilities. As a result, the Bank may incur additional costs and expose itself to other risks by adjusting such asset and liability positions. Interest rates are highly sensitive to many factors beyond the Bank's control, including the monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors.

Although the Bank uses various instruments and measures to manage exposure to interest rate risk (see *"Risk Management — Interest Rate Risk"),* there can be no assurance that these instruments and measures will fully protect the Bank from the negative effects of interest rate fluctuations. Further changes in market interest rates could affect the interest rates earned on interest-earning assets differently, leading to a reduction in the Bank's net interest income and having an adverse effect on its business, financial condition and results of operations.

The Bank has a portfolio of Turkish sovereign debt and market risks arising from open interest rate and currency positions could adversely affect the Bank, particularly if economic conditions deteriorate

The Bank's financial condition and results of operations are affected by changes in the market value of its securities portfolio. The Bank maintains a securities portfolio which primarily consists of held-to-maturity securities and trading securities, made up of Turkish government bonds. Interest income derived from the Bank's marketable securities portfolio amounted to TL 7,527 thousand for the six months ended 30 June 2017, accounting for 1 per cent. of total interest income for the period, and amounted to TL 24,934 thousand for the year ended 31 December 2016, accounting for 1 per cent. of total interest income for the year ended 31 December 2016. The Bank's income from securities operations depends on numerous factors, some of which are beyond its control, including overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. Although the Bank monitors closely its securities portfolio and securities transactions to manage its market risk (see *"Risk Management — Market Risk"),* market price fluctuations affecting the Bank's government bonds and treasury bills may adversely affect the value of the Bank's securities portfolio. In addition to any direct losses that the Bank might incur, a default by the Turkish government in making payments on its debt securities would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would also have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

The Bank's business is subject to inherent risks in relation to the credit quality of borrowers, purchasers of exported items and contractual counterparties, including derivative counterparties and reinsurers. Changes in the credit quality of the companies, banks and other financial institutions to which the Bank lends, or to whose credit the Bank is exposed under export credit insurance products, or in the credit quality of the Bank's counterparties, can negatively affect the value of the Bank's assets and lead to increased write downs and provisions for loan impairment. The Bank has been increasing its direct lending to exporters, which has increased its direct exposure to exporters and may, in turn, increase the Bank's credit risk. See *" — The Bank may face increased risks as it continues to shift its focus towards direct lending"*. Any failure by the Bank to manage the growth of its loan portfolio or the credit quality of the portfolio within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have an adverse effect on the Bank's business, financial condition and results of operations.

Many factors affect customers' ability to repay their loans or other obligations to the Bank. Some of these factors, including adverse changes in the economy and foreign trade due to local, national and global factors, foreign exchange rates and increased market volatility, may be difficult to anticipate and are outside of the

Bank's control. Other factors are dependent upon the Bank's growth strategy (including tenor, currency, jurisdictions and sector focus) and the viability of the Bank's internal credit application and monitoring systems. See *"— Operational problems or errors could have a material adverse impact on the Bank's business, financial condition and results of operations"* and *"— The Bank's performance depends on the reliability and capacity of its information technology systems"*. The Bank is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under derivative financial instruments. Exposure to any of these credit risks could have an adverse effect on the Bank's business, financial condition and results of operations.

The Bank's allowances for credit losses could prove inadequate to cover credit losses related to its loans and contingencies

Determining the appropriate level of allowances for credit losses necessarily requires exercise of judgment, including assumptions and estimates made in the context of changing political and economic conditions in the regions and sectors to which the Bank lends, in particular in the financial and banking sector in Turkey. See *"— The Bank has substantial credit exposure to financial institutions in Turkey"* above. Consequently, there can be no guarantee that the Bank's allowances for credit losses will be adequate to cover losses in its credit portfolio, which, in turn, could have an adverse effect on the Bank's financial condition and results of operations.

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

The Bank's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks. While the Bank currently uses an internal credit ranking system to evaluate Turkish banks, it does not have a similar system in place with respect to corporate customers or non-Turkish financial institutions. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control or protect the Bank against all credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by the Bank's risk management systems. Some of the Bank's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate.

Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have an adverse effect on the Bank's business, financial condition and results of operations.

Operational problems or errors could have a material adverse impact on the Bank's business, financial condition and results of operations

Similar to other financial institutions, the Bank is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Bank is susceptible to, among other things, fraud by employees or outsiders, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems (including disaster recovery and back-up systems; see *"— The Bank's performance depends on the reliability and capacity of its information technology systems").* As part of its internal reorganisation in 2017, the Bank has moved from a product-based organisation to a process-based organisation, with the Bank's allocation, operation and marketing units now organised as separate departments. For further information, see the description of the Bank's organisation under "*Business — Banking Activities"*. Although the Bank maintains a system of internal controls and takes steps to back up its system, there can be no assurance that operational problems or errors will not occur and that their occurrence will not have an adverse effect on the Bank's business, financial condition and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Bank relies on key management and qualified personnel

The Bank is dependent on members of its Board of Directors and key management and qualified personnel for the implementation of its strategy. Moreover, the Bank's continued success will depend, in part, on its ability to continue to retain, motivate and attract, in cases where needed, qualified and experienced personnel. While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, it is not possible to guarantee that constraints in human resources will not arise in the future. A failure to recruit, train and/or retain necessary personnel could have an adverse effect on the Bank's business, financial condition and results of operations.

Turkish disclosure standards might differ in certain significant respects from those in certain other countries, leading to a lesser amount of information being available about the Bank

Historically, the reporting, accounting and financial practices applied by Turkish banks have differed in certain respects from those applicable to similar banks in the EU or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other similar markets and any information that is published might only be presented in Turkish. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the Official Gazette in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise unaudited interim financial statements, interim management reports and corporate governance compliance reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA Principles and only subsequently made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites.

The Bank maintains its accounting systems and prepares its accounts in accordance with the relevant legislation and publishes quarterly financial results in accordance with the BRSA Principles. With respect to IFRS, the Bank only publishes annual and semi-annual financial statements for the Bank. There are differences between the BRSA Financial Statements and IFRS financial statements. A summary of the most material of such differences as they apply to the Bank has been included elsewhere in this Prospectus, including the differences described above and other potential differences that may materially affect the Bank's results of operations and financial position (see Appendix 1 – "*Overview of Significant Differences between IFRS and BRSA Accounting Principles*" incorporated by reference into this Prospectus). Potential investors should rely upon their own examination of the Bank, the terms of the Notes and the financial and other information contained in this Prospectus.

The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Bank's business

The Bank is subject to a number of banking and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Bank operates. These laws and regulations increase the cost of doing business and limit the Bank's activities. See *"Turkish Regulatory Environment for Banks"* for a description of the Turkish banking regulatory environment. In addition, a breach of any of these laws and regulations could expose the Bank to potential liabilities or sanctions and damage its reputation.

Turkish banks' capital adequacy requirements will be further affected by the Basel Committee on Banking Supervision's (the "Basel Committee") new requirements ("Basel III") which is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk that was agreed upon by the members of the Basel Committee. Although it was scheduled to be introduced from 2013 to 2015, in April 2013 the schedule for implementation was extended until 31 March 2019. Basel III aims to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and adopted the new Regulation on Equities of Banks (the "2013 Equity Regulation") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which were published in the Official Gazette dated 5 September 2013 and numbered 28756 and came into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) change the risk weights of certain items that are categorised under "other assets". The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "2015 Capital Adequacy Regulation"), which entered into force on 31 March 2016 and replaced the previous Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337 and entered into force on 1 July 2012 (the "2012 Capital Adequacy Regulation"), as amended from time to time. The 2015 Capital Adequacy Regulation maintained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items. On 22 June 2016, the BRSA introduced an amendment to the 2013 Equity Regulation to change the items included in the equity calculation with an effective date of 1 January 2017 and also published a draft Communiqué on Principles for Debt Instruments to be Included in Equity Calculations by Banks to introduce certain rules in relation to conversion and write-down of debt instruments to be included in additional Tier I or Tier II capital.

In addition: (a) the Regulation on the Capital Conservation and Countercyclical Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 (with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that entered into effect on 1 January 2015). Finally, the Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948 (the "Regulation on Liquidity Coverage Ratios"), and entered into effect immediately with the provisions thereof becoming applicable as at 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015). According to this regulation, starting from 1 January 2015, the liquidity coverage ratios of banks cannot fall below 100 per cent. on an aggregate basis and 80 per cent. on a foreign currency-only basis;

however, pursuant to the BRSA decision dated 26 December 2014 No. 6143 (the "BRSA Decision on Liquidity Ratios"), for a period starting from 5 January 2015 and ending on 31 December 2015, such ratios shall be applied as 60 per cent. and 40 per cent., respectively. Furthermore, pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. If the Bank is unable to maintain its capital adequacy and leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets at commercially reasonable prices, or at all, or for any other reason), then this could adversely affect its ability to grow its loan portfolio and could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In addition, most of the Bank's loan agreements contain a financial covenant to maintain a minimum capital adequacy ratio at all times (currently 12 per cent. as recommended by the BRSA). See *"Turkish Regulatory Environment for Banks"* below for a further discussion on Basel III.

The Bank of International Settlements ("BIS") reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards. If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Bank's business, financial condition and results of operations.

In addition, the Turkish government (including the BRSA and the Central Bank) has introduced (and might introduce in the future) new laws and regulations that impose limits with respect to fees and commissions charged to customers, increase reserves, increase provision requirements for loans, or otherwise introduce rules that will negatively affect the Bank's business and/or profitability. The Bank might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, the Bank's profitability would likely be adversely impacted until (if ever) such changes would need to be incorporated into the Bank's pricing.

Such measures could also limit or reduce the growth of the Turkish economy and consequently demand for the Bank's products and services. Furthermore, as a consequence of certain of these changes, the Bank may be required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by the Bank to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on the Bank's business, financial condition and results of operations. Finally, non-compliance with regulatory guidelines could expose the Bank to potential liabilities and fines and damage its reputation.

The Bank's performance depends on the reliability and capacity of its information technology systems

The Bank's financial performance and its ability to meet its strategic objectives depend upon the reliability and security of its information technology ("IT") systems and its systems capacity. Disruptions in the Bank's IT systems could occur. Additionally, the reliability and security of its IT systems depend on human operators and future investments that may be required by evolving technologies. See *"Business—Information Technology"*. There can be no assurance that a disruption (even short-term) to the normal operation of the Bank's IT systems, or delays in increasing the capacity of the IT systems, will not have an adverse effect on the Bank's business, financial condition or results of operations.

The Bank is subject to risks associated with anti-money laundering policies and procedures

Although the Bank is not a commercial bank, it has implemented internal measures to prevent it from being used as a conduit for money laundering or terrorist financing. The Bank believes that it is in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations, although such measures,

procedures and compliance are not automated and may not be completely effective in preventing third parties from using the Bank and its correspondent banks as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Bank's knowledge. Furthermore, while the Bank reviews its correspondent banks' internal policies and procedures with respect to such matters, the Bank to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. If the Bank is associated with money laundering (including illegal cash operations) or terrorist financing, then its reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Bank), which could have an adverse effect on its business, financial condition and results of operations.

Risk factors relating to Turkey

Political developments in Turkey may have a material adverse effect on the Bank's business

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

Beginning in late 2013, Turkish politics have become particularly volatile, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who have since resigned) on suspicions of corruption.

These events, which coincided with the United States Federal Reserve's decision to reduce monthly asset purchases, have contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. The occurrence of these events, and when and in what manner they are resolved, have had and may continue to have: (a) a negative impact on the Bank's business, financial condition and/or results of operations and (b) a negative impact on investors' perception of Turkey, the strength of the Turkish economy and/or the value and/or price of the Notes.

Early general elections in Turkey were held on 1 November 2015, which resulted in the ruling party receiving enough votes to regain its majority in parliament following the inconclusive general elections held on 7 June 2015, and thereby allowing it to form a single-party government. Subsequently, in July 2016 the Turkish government was subject to an attempted military coup by a group within the Turkish army. Although to date the Bank's operations have not been materially affected by the attempted military coup, the longer term impact on political and social conditions could have a material adverse effect on the Bank's business, financial condition and results of operations. See "*— The attempted military coup in Turkey and its aftermath may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

Actual or perceived political instability in Turkey could have a material adverse effect on the Bank's business, financial condition and/or results of operations and on the value of the Notes.

Subsequently, in a referendum held on 16 April 2017, proposed amendments to certain articles of the Turkish Constitution were approved, including an extension of the powers of the president. Most of these amendments are expected to enter into force in November 2019. As a result of the referendum: (i) the current parliamentary system will be transformed into a presidential system; (ii) the president will be entitled to be the head of a

political party and to appoint the cabinet; (iii) the office of the prime minister will be abolished; (iv) the parliament's right to interpellate (i.e., the right to submit questions requesting explanations regarding an act or a policy) cabinet members will be annulled; and (v) the president will have increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors).

Any actual or perceived political instability in Turkey or other political circumstances (and related actions, rumours and uncertainties) could have a material adverse effect on the Bank's business, financial condition or results of operations.

The attempted military coup in Turkey and its aftermath may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

On 15 July 2016, there was an attempted military coup in Turkey. While the current government remained in power, the country continues to experience political turmoil and the Turkish government is operating under a state of emergency, most recently extended in July 2017, which entitles the government to exercise certain additional powers. The government has arrested, discharged or otherwise limited, in aggregate, a significant number of members of the military, the judiciary and the civil service, restricted media outlets and otherwise taken actions in response to the coup attempt, including expansion of these actions to the business community. There may also be temporary delays in the ability of public institutions to deliver services as teams are reorganised, which may impact businesses in Turkey (including the Bank) that are dependent on such public institutions (although there has been no material impact on the Bank's operations to date).

Although, to date the Bank's operations have not been materially affected by the attempted military coup, the repercussions of the attempted military coup and/or any extension of the state of emergency (including the rating downgrades of Turkey referred to below) may in the future have a negative impact on the Turkish economy (including any adverse impact on the value of the Turkish Lira and international investors' willingness to invest in Turkey). Government investigations with respect to the attempted military coup are on-going. There may be further actions taken by the government in relation to these investigations, including changes in policies and laws.

On 23 September 2016, Moody's downgraded Turkey's credit rating to Ba1, with a stable outlook, from Baa3. On 26 September 2016, Moody's also downgraded the long-term debt and deposit ratings of 14 Turkish banks, including the Bank. On 17 March 2017, Moody's changed Turkey's rating outlook to "negative" from "stable". On 20 July 2016, Standard & Poor's downgraded Turkey's credit rating to BB with a negative outlook from BB+. On 22 July 2016, Standard & Poor's downgraded the ratings of five Turkish banks from "BB+" to "BB". On 27 January 2017, Standard & Poor's changed Turkey's rating outlook to "negative" from "stable". On 27 January 2017, Fitch downgraded Turkey's long-term foreign currency debt and its long-term local currency debt to BB+ with a "stable" outlook from BBB- with "negative" outlook.

Although the measures introduced by the Central Bank following the attempted military coup have contributed to a degree of stability and liquidity in the Turkish financial markets, any renewed instability or future changes in Turkish monetary policy could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-on-year consumer price inflation rates as high as 69.7 per cent. in the early 2000s. Although inflation has declined in recent years, it still remains higher than certain emerging market peers and has been a key area of focus of the Central Bank. Consumer price inflation was 8.5 per cent., 8.8 per cent. and 8.2 per cent. in 2016, 2015 and

2014, respectively. Producer price inflation was 9.9 per cent., 5.7 per cent. and 6.4 per cent., in 2016, 2015 and 2014, respectively. The volatility of global prices of major commodities such as oil, cotton, corn and wheat might increase supply side inflation pressures throughout the world. These inflationary pressures and any further depreciation of the Turkish Lira, may result in Turkish inflation exceeding the Central Bank's inflation target significantly, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Turkey's high current account deficit may increase Turkey's vulnerability to reductions in capital inflows or macroeconomic shocks

In recent years, Turkey has had a significant current account deficit, which could leave its economy susceptible to declines in capital inflows and vulnerable to macroeconomic shocks. Moreover, Turkish policymakers may also take measures to decrease certain types of economic activity in an attempt to limit the current account deficit, which could have a negative impact on the Bank's customers and business.

Turkey's current account deficit widened significantly to U.S.$75.0 billion in 2011 from U.S.$45.3 billion in 2010, before decreasing to U.S.$48.5 billion in 2012. The decline in the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures was to slow growth in the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, government authorities have stated that bank-specific actions might be implemented.

The decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to U.S.$65.0 billion in 2013 due principally to a recovery in domestic demand. To combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to U.S.$46.5 billion in 2014 and U.S.$32.2 billion in 2015. According to the Turkish government's Medium-Term Programme for 2017-2019 announced in October 2016, the current account deficit is targeted to be reduced to 4.2 per cent. of GDP in 2017 before falling to 3.5 per cent. of GDP at the end of the three-year period. In October 2016, the Turkish government revised the targets to 4.3 per cent. for 2016 and 4.2 per cent. for 2017. The targets set out in Turkey's medium-term economic programme may be further revised.

If the value of the Turkish Lira relative to the U.S. Dollar and other relevant trading currencies changes, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has taken certain actions to maintain price and financial stability. For example, through a series of interest rate decreases beginning in May 2014, the overnight borrowing rate was reduced from 8.0 per cent. to 7.25 per cent., the one week repo rate was reduced from 10.0 per cent. to 7.75 per cent. and the overnight lending rate was reduced from 12.0 per cent. to 10.75 per cent. On 25 February 2015, the Central Bank further reduced the one-week repo rate to 7.50 per cent. Such actions by the Central Bank and similar or other actions that it might take in the future might not be successful in reducing the current account deficit. See "*Turkish Regulatory Environment for Banks*".

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading

partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports into the EU could have material adverse effect on Turkish exports and on Turkey's economic growth and result in an increase in Turkey's current account deficit. To a lesser extent Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit as described immediately above.

Turkey is an energy-dependent country, with U.S.$27.1 billion of energy imports in 2016. In 2016, Turkey's current account deficit reached U.S.$32.6 billion, with energy imports representing approximately 13.7 per cent. of the current account deficit. As a result, any geopolitical development impacting energy security could have a material impact on Turkey's current account balance. If Iraq were to export its oil reserves in Northern Iraq through Turkish territory, this might have a favourable impact on Turkey's energy costs. Turkey might also be able to diversify its energy suppliers and lower its energy costs as a result of the interim arrangement between the P5+1 countries and Iran. However, these developments are subject to significant political and other risks and may not result in lower energy costs for Turkey.

Accordingly, changes in the current account deficit and policy responses, including those introduced by the BRSA or the Central Bank with respect to loan growth ratios, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy as well as the Bank's business, financial condition, results of operations or prospects

As at 30 June 2017, 86 per cent. of the Bank's assets were denominated in foreign currencies, of which 42 per cent. were in U.S. Dollars and 58 per cent. in euro. At the same date, 91 per cent. of the Bank's liabilities were denominated in foreign currencies, of which 55 per cent. were in U.S. Dollars, 44 per cent. in euro and 1 per cent. in other foreign currencies. The Bank translates such assets and liabilities, as well as gains and losses realised on the sale of such assets, into TL in preparing its financial statements, as a result of which the Bank's reported income may be affected by changes in the value of the Turkish Lira relative to such foreign currencies, particularly the U.S. Dollar and euro.

The Bank seeks to manage foreign currency risk by using natural hedges that arise from offsetting foreign currency-denominated assets and liabilities, and the remaining foreign exchange exposures are hedged with derivative financial instruments that primarily include forward foreign exchange contracts and currency swaps. As part of its strategy to manage the impact of exchange rates, the Bank's trading activities are used only for hedging purposes and not for speculative purposes so as to maintain a nearly square foreign exchange position (*i.e.* no significant open position). If the Bank's foreign currency risk management policy should change, any significant depreciation of the TL against the U.S. Dollar or other major currencies could have a negative effect on the Bank's ability to repay its debt denominated in currencies other than the Turkish Lira, including the amounts due under the Notes.

As a result of the financial crises in Turkey in November 2000 and February 2001, the Turkish Lira depreciated from TL 0.6718 per Dollar on 26 December 2000 to TL 1.4396 per Dollar on 31 December 2001 and then further depreciated to TL 1.6345 per Dollar on 31 December 2002. The Turkish Lira has been subject to significant volatility in the years since the financial crisis of 2000 to 2002. On 31 December 2012, the exchange rate was TL 1.7826 per Dollar, appreciating to TL 2.1343 per Dollar on 31 December 2013, TL 2.3253 per Dollar on 31 December 2014, TL 2.9161 per Dollar on 31 December 2015 and TL 3.5192 per Dollar on 31 December 2016. The exchange rate was TL 3.5071 per Dollar on 30 June 2017.

Such significant currency volatility in the future could impair the Bank's business strategies and could have an adverse effect on its business, financial condition, results of operations or prospects, particularly if the Bank increasingly accesses the international capital markets for funding.

International investors may view Turkey negatively based upon adverse events in other emerging markets

Emerging markets such as Turkey are subject to greater risk of being perceived negatively by investors based upon external events than more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of the Bank.

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

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

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. In particular, during 2016 and the first half of 2017, Turkey experienced several terrorist attacks linked to the Islamic State of Iraq and Syria ("ISIS") and other terrorist groups, including an attack at Atatürk Airport June 2016. Political uncertainty within neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has also been one of the risks associated with investment in Turkish securities. Since December 2010, political instability has increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Jordan, Bahrain, Iraq and Yemen. Unrest in those countries might affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East, North Africa and Eastern Europe and may experience material negative effects, including the Turkish exporters who borrow from the Bank and their customers who purchase Turkish exports.

The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, which authorisation was extended for a further year on each of 3 October 2013 and 2 October 2014. More recently, elevated levels of conflict have arisen in Iraq and Syria as militants of ISIS seized controls of areas in Iraq and Syria, which has caused a significant displacement of people. In August 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria and in August 2016, Turkey commenced operations in Syria jointly with the American military, which concluded in March 2017. Recent developments in Iraq also raise concerns as Iraq is one of Turkey's largest export markets, ranking third in 2016 according to TurkStat, although the Bank believes that Turkey's export sector will be able to address these risks by shifting to other target markets.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia's annexation of Crimea have, combined with Ukraine's precarious economic conditions, created significant uncertainty in Ukraine and the global markets. Resolution of the political and economic situation in Ukraine will likely not be achieved for some time, and the situation could even deteriorate into increased violence and/or economic collapse. While not directly impacting Turkey's territory, the disputes could materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. In particular, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including the EU and the United States). Turkey has from time to time been the subject of terrorist bomb attacks, including bombings in recent years in its tourist and commercial centres in Istanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces.

Such circumstances have had and could continue to have a material adverse effect on the Turkish economy (including a negative impact on tourism and foreign direct investment) and consequently the Bank's business, financial condition and/or results of operations.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility

Turkey has had a long-term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same twenty-eight criteria (or "Chapters") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Although Turkey has implemented various reforms and continued harmonisation efforts with the EU, the relationship between the EU and Turkey has, at times, been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and in connection with the recognition of the Republic of Cyprus. Following this, in December 2006 the EU decided that negotiations in eight Chapters should be suspended and that no Chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol of July 2005. In November 2013, the negotiations on Chapters and Turkey's accession to the EU were recommenced. There can be no assurance that the EU or Turkey will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State, including the new Chapters applicable from 2009 relating to taxation and the environment. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have an adverse effect on the Bank's business, financial condition, results of operations and prospects. On the other hand, there can be no assurance that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite

significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The Bank maintains earthquake, fire, flood, terror and burglary insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. In the event of future earthquakes, effects from the direct impact of such events on the Bank and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster might have an adverse impact on the Bank's customers' ability to honour their obligations to the Bank.

The Bank's credit ratings may not reflect all risks, and changes to Turkey's credit ratings may affect the Bank's ability to obtain funding

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate the Bank and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally.

In addition to any direct losses that the Bank might incur, a default, or the perception of increased risk of default, the possible downgrade in Turkey's credit rating (Moody's recently downgraded Turkey and Standard & Poor's changed Turkey's outlook from stable to negative citing the increased pressure on Turkey's external financing position driven by heightened political uncertainty and lower global liquidity while the rating is retained) would likely have a significant negative impact on the Turkish banking sector generally and might have a material adverse effect on the Bank's business, financial condition and/or results of operations or rating. Similarly, enforcing rights against governmental entities might be subject to structural, political or practical limitations.

The long-term debt of the Bank has been rated by Moody's and Standard & Poor's since 1997. The Bank's foreign and local currency long-term debt ratings assigned by Standard & Poor's are BB and BB+, respectively, with "negative" outlook which is the sovereign ceiling and the same as that of the Undersecretariat of Treasury and the Republic of Turkey. On 26 September 2016, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba1, with a stable outlook, from Baa3. On 20 March 2017, Moody's changed its outlook to "negative". On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt ratings of the Bank to BB+ with a "stable" outlook from BBB- with a "negative" outlook. One or more independent credit rating agencies may also assign credit ratings to the Notes. Any ratings of either the Bank or the Notes may not reflect the potential impact of all risks related to the Notes' structure, the global financial market and the Turkish banking sector, additional factors described in this "*Risk Factors*" section and any other factors that may affect the value of the Notes. There can be no assurance that the rating agencies will maintain the Bank's current ratings or outlooks, which could materially adversely affect the trading values of the Notes and the Bank's ability to finance its operations and the expected expansion of its business going forward, either of which could materially adversely affect the Bank's business, financial conditions, results of operations and prospects. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

A downgrade or potential downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating and may lead to a decrease in the Bank's capital adequacy ratio

The Bank's credit ratings have generally followed the Republic of Turkey's credit ratings, and as such, a downgrade of the Turkish sovereign rating could adversely affect the Bank's credit rating.

The long-term foreign currency debt of Turkey is currently rated BB and long-term local currency debt is rated BB+ by Standard and Poor's, with "negative" outlook. On 23 September 2016, Moody's downgraded Turkey's credit rating to Ba1, with a stable outlook, from Baa3. On 26 September 2016, Moody's also downgraded the long-term debt and deposit ratings of 14 Turkish banks, including the Bank. On 17 March 2017, Moody's changed Turkey's rating outlook to "negative" from "stable". On 20 July 2016, Standard & Poor's downgraded Turkey's credit rating to BB with a negative outlook from BB+. On 22 July 2016, Standard & Poor's downgraded the ratings of five Turkish banks from "BB+" to "BB". On 27 January 2017, Standard & Poor's changed Turkey's rating outlook to "negative" from "stable". On 27 January 2017, Fitch downgraded Turkey's long-term foreign currency debt and its long-term local currency debt to BB+ with a "stable" outlook from BBB- with a "negative" outlook. The Bank calculates its capital adequacy ratio according to the Capital Adequacy Regulation published by the BRSA. The BRSA allows banks subject to its supervision to use ratings from any accepted rating agencies, including Moody's, S&P, Fitch and, since 2013, the Islamic International Rating Agency ("IIRA"), for purposes of calculating their risk-weighted assets. Since 2013, the Bank has elected to use Fitch ratings for these purposes. In January 2017, the BRSA also decided to allow the Bank to apply a 0 per cent. risk weight to rediscount loans funded from the Central Bank. Previously, the risk weight applicable to these loans was 50 per cent. Any negative ratings actions could result in the Bank's capital adequacy ratio declining significantly due to the potential change in the risk weightings of the Bank's assets.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the rating of the Bank or the Notes, has the potential to affect the Bank's cost of funds in the international capital markets and could cause a significant decrease in the Bank's capital adequacy ratio.

The Turkish economy is subject to significant macro-economic risks

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

The Bank's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Bank. If the Turkish economy suffers because of, among other factors, a reduction in the level of economic activity, devaluation of the Turkish Lira, inflation or an increase in domestic interest rates, then a greater portion of the Bank's customers might not be able to repay loans when due or meet their other debt service requirements to the Bank, which would increase the Bank's past due loan portfolio, although the Bank generally requires 100 per cent. collateral on its direct lending activities in the form of commercial bank guarantees and other securities, including mortgage, hypothecation, personal security provided by the companies' owners and company guarantees. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in demand for the Bank's products. The occurrence of any or all of the above could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

FORM OF THE NOTES

For the purposes of this Prospectus, the sections entitled "*Registered Notes*" and "*Transfer of Interests*" in the "*Form of the Notes*" section of the Base Prospectus on pages 55 to 56 should be disregarded and instead read with the following sections.

Registered Notes

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

The Notes (or beneficial interests therein) offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold in private transactions to QIBs that are also QPs. The Notes sold to QIBs that are also QPs pursuant to Rule 144A will be represented by a global note in registered form (a "Restricted Global Certificate").

The Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("DTC") or (ii) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depositary, as specified in the Terms and Conditions of the Notes in the Base Prospectus. Persons holding beneficial interests in the Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or

otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale*" in this Prospectus and "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.

General

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant dated 3 December 2015 and executed by the Issuer.

ISSUE TERMS

The terms and conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus (the "Base Conditions") as amended or supplemented by the terms set out below in this section. References in the Base Conditions to "Final Terms" shall be deemed to refer to the terms of the Notes substantially in the form set out below. See also "*Overview of the Offering of the Notes*" appearing elsewhere in this Prospectus for further information.

14 September 2017

TÜRKIYE İHRACAT KREDİ BANKASI A.Ş. (EXPORT CREDIT BANK OF TURKEY, INC.)

Issue of U.S.$500,000,000 4.250 per cent. Notes due 2022 (the "Notes")
under the U.S.$1,500,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 December 2015 and the Prospectus dated 14 September 2017, which together constitute a prospectus for the purposes of Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "Prospectus Directive") (the "Prospectus"). This document constitutes the Issue Terms of the Notes and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Issue Terms and the Prospectus. The Prospectus has been published on the website of the Irish Stock Exchange (www.ise.ie).

1	Issuer:		Türkiye İhracat Kredi Bankası A.Ş.
2	(a)	Series Number:	3
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency:		United States Dollars ("U.S.$")
4	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
5	Issue Price:		99.333 per cent. of the Aggregate Nominal Amount of the Tranche
6	(a)	Specified Denomination(s):	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount:	U.S.$1,000
7	(a)	Issue Date:	18 September 2017
	(b)	Interest Commencement Date:	Issue Date
8	Maturity Date:		18 September 2022
9	Interest Basis:		4.250 per cent. Fixed Rate

		(*see paragraph 14 below*)
10	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11	Change of Interest Basis:	Not Applicable
12	Put/Call Options:	Change of Control Put (*see paragraph 19 below*)
13	Status of the Notes:	Senior
	Date Board approval for issuance of Notes obtained:	25 August 2017

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions:		Applicable
	(a)	Rate(s) of Interest:	4.250 per cent. per annum payable semi-annually in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	18 March and 18 September in each year up to and including the Maturity Date commencing 18 March 2018
	(c)	Fixed Coupon Amount(s):	U.S.$21.25 per Calculation Amount
	(d)	Broken Amount(s):	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Determination Date(s):	Not Applicable
	(g)	Modified Fixed Rate Notes:	Not Applicable
15	Floating Rate Note Provisions:		Not Applicable
16	Zero Coupon Note Provisions:		Not Applicable

PROVISIONS RELATING TO REDEMPTION

17	Issuer Call:		Not Applicable
18	Investor Put:		Not Applicable
19	Change of Control Put:		Applicable
	(a)	Optional Redemption Amount:	U.S.$1,000 per Calculation Amount
	(b)	Notice periods:	Minimum period: 30 days Maximum period: 60 days
20	Final Redemption Amount:		U.S.$1,000 per Calculation Amount
21	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:		
	(a)	Form:	Registered Notes:

		Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes upon an Exchange Event Rule 144A Global Note(s) registered in the name of a nominee for DTC exchangeable for Definitive Registered Notes upon an Exchange Event
	(b) New Global Note:	No
23	Specified Financial Centre(s):	Not Applicable
24	Talons for future Coupons to be attached to Definitive Notes:	No
25	Other Issue terms:	Conditions 9.1(c), 9.1(d) and 13(d) of the Base Conditions, for the purposes of the Notes only, shall be deemed to be deleted in their entirety. Condition 19.2 (Submission to jurisdiction) of the Base Conditions, for the purposes of the Notes only, shall be deemed to be deleted in its entirety and be replaced by this new condition 19.2 (Submission to jurisdiction): *"The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) is to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).* *The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that it is an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any*

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

Condition 19.3 (Consent to Enforcement) of the Base Conditions, for the purposes of the Notes only, shall be deemed to be deleted in its entirety and be replaced by this new condition 19.3 (Consent to Enforcement):

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

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

26	USD Payment Election:	Not Applicable

Signed on behalf of TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

By:	By:
Duly authorised	*Duly authorised*

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

2.	(a)	Listing and Admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to admitted to the Official List and trading on its regulated market with effect from 19 September 2017
	(b)	Estimate of total expenses related to admission to trading:	EUR4,790

3. **RATINGS**

Ratings:	The Notes to be issued are expected to be rated: BB+ by Fitch Ratings Ltd. ("Fitch") and Ba1 by Moody's Deutschland GmbH ("Moody's" and, together with Fitch, the "Rating Agencies"). Each of the Rating Agencies is established in the EU and is registered under Regulation No 1060/2009 (as amended).

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Joint Bookrunners, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

5. **YIELD**

Indication of yield:	4.400 per cent. per annum The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **OPERATIONAL INFORMATION**

	(a)	ISIN:	Regulation S Notes: XS1684378208 Rule 144A Notes: US90015LAC19
	(b)	Common Code:	Regulation S Notes: 168437820 Rule 144A Notes: 168480431
	(c)	CUSIP:	Rule 144A Notes: 90015LAC1
	(d)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
	(e)	Delivery:	Delivery against payment
	(f)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable

(g)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders of Notes held through a clearing system will be deemed to have been given on the second business day after the day on which it was given to the relevant clearing system.
(h)	Intended to be held in a manner which would allow Eurosystem eligibility:	No. Whilst the designation is specified as "no" at the date of these Issue Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper or registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

7. **DISTRIBUTION**

(a)	Method of distribution:	Syndicated
(b)	If syndicated, names of Joint Bookrunners:	Citigroup Global Markets Limited HSBC Bank plc ING Bank N.V., London Branch Mediobanca - Banca di Credito Finanziario S.p.A. Mizuho International plc MUFG Securities EMEA plc
(c)	Date of Subscription Agreement:	14 September 2017
(d)	Stabilisation Manager(s) (if any):	Citigroup Global Markets Limited
(e)	If non-syndicated, name of relevant Dealer:	Not Applicable
(f)	U.S. Selling Restrictions:	Regulation S Category 2 and Rule 144A

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the period average and period-end buying rates for U.S. Dollars for the periods indicated. The rates set forth below are provided solely for your convenience and were not used by the Issuer in the preparation of the Issuer's financial statements incorporated by reference in this Prospectus. No representation is made that Turkish Lira could have been, or could be, converted into U.S. Dollars at that rate or at any other rate.

Period Average[(1)]	**TL per U.S.$**	**Period End**[(2)]	**TL per U.S.$**
30 June 2017	3.6350	30 June 2017	3.5071
2016	3.0186	31 December 2016	3.5192
2015	2.7233	31 December 2015	2.9207
2014	2.1872	31 December 2014	2.3189
2013	1.8931	31 December 2013	2.1343
2012	1.7474	31 December 2012	1.7380

Source: The Central Bank

Notes:

(1) Represents the arithmetic average of the monthly averages, where monthly averages were calculated by taking the daily average of the Turkish Lira/U.S.$ exchange rates.

(2) Represents the Turkish Lira/U.S.$ exchange rates for the purchase of U.S. Dollars determined by the Central Bank on the previous working day.

CAPITALISATION

The following table sets forth the medium- and long-term indebtedness and equity of the Bank as at 30 June 2017.

	As at 30 June 2017
	(in thousands of TL)
Medium- and long-term indebtedness:	
Medium- and long-term funding loans[1]	14,569,607
Medium- and long-term debt securities in issue[2]	7,871,159
Total medium- and long-term indebtedness	22,440,766
Equity:	
Paid-in share capital	3,700,000
Retained earnings and reserves	1,775,851
Total equity	5,475,851
Total capitalisation	27,916,617

Notes:

(1) The Bank's medium- and long-term indebtedness is indebtedness that has a maturity of more than one year and consists of loans from the European Investment Bank, the World Bank, Islamic Development Bank, Industrial and Commercial Bank of China, ICIEC guaranteed ING Bank Loan, Vida Finance PLC, MIGA guaranteed loan, syndicated loan and the subordinated loan from the Turkish Treasury.

(2) Indebtedness associated with the Existing Notes.

Since 30 June 2017, the Bank has entered into the following financing arrangements:

- a one-year U.S.$15.5 million bilateral loan from ICBC London Branch in July 2017;
- a U.S.$69.1 million loan disbursement in July 2017 in the context of a ten-year (including a three-year grace period) U.S.$270 million loan agreement with the Islamic Development Bank;
- a one-year €30 million bilateral loan from Garanti International Bank N.V. in August 2017;
- a three-year U.S.$200 million bilateral loan agreement with China Development Bank in August 2017;
- a €93.3 million loan disbursement in August 2017 in the context of a three-year €186.5 million syndicated loan from seven banks; and
- a one-year U.S.$87 million and €469 million syndicated loan from 23 banks and financial institutions in August 2017.

In addition, on 28 August 2017, the Treasury made a capital contribution of TL 1.1 billion, increasing the Bank's paid-in share capital to TL 4.8 billion.

Other than as set out above, there have been no material changes to the Bank's capitalisation since 30 June 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Bank's results of operations and financial condition as at and for the six months ended 30 June 2017 and 2016 and as at and for the years ended 31 December 2016, 2015 and 2014. Unless otherwise specified, the financial information set forth and discussed herein is extracted from the BRSA Financial Statements. Prospective investors should read this discussion in conjunction with the sections titled "Selected Statistical and Other Information", "Selected Financial Information", "Capitalisation" and the BRSA Financial Statements and the related notes thereto and the other financial information included in (including incorporated by reference in) this Prospectus. The BRSA Financial Statements for such periods have been prepared in accordance with BRSA Principles as described in "Presentation of Financial and Other Information" in this Prospectus. For a discussion of significant differences between the BRSA Principles and IFRS, see "Appendix 1 — Overview of Significant Differences Between IFRS and BRSA Accounting Principles" in the Base Prospectus.

Overview

The primary mission of the Bank as Turkey's official export credit agency is to enhance the availability of export support by providing readily available, economical and affordable sources of funds in the form of loans, insurance and guarantee products and programmes that satisfy the export financing needs of Turkish exporters and overseas contractors.

The Bank currently supports Turkish exporters, contractors and investors through various credit, guarantee and insurance programmes similar to other international export credit agencies. Its most significant product is short-term loans, which as at 30 June 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance. The Bank's activities include loan programmes and insurance/guarantee programmes. The Bank's income primarily includes interest income from loans and, to a lesser extent, fee and commission income and trading income. See "*— Significant Factors Affecting Financial Condition and Results of Operations*" for detail on significant factors affecting the Bank's results of operations and financial condition.

Although the Bank operates principally within Turkey, its business is subject to macroeconomic trends in many other regions of the world as well as macroeconomic trends within Turkey. The level of demand for the Bank's services and products is influenced by global demand for Turkish exports. The Bank's services and products are principally utilised by exporters to the United States, Western Europe, the regions of Russia and the CIS states, Central Europe, the Middle East, Asia and Africa.

The Bank has played a crucial and expanding role in the implementation of the export-led growth strategies pursued by all Turkish governments since 1980, and its operations reflect Turkish government policies.

Under Basel II standards, the Bank's capital adequacy ratio reported to the BRSA was 15.09 per cent. as at 30 June 2017. As at 31 December 2016, 2015 and 2014, the Bank's capital adequacy ratio under Basel II standards was 13.41 per cent., 18.94 per cent. and 24.11 per cent., respectively.

As at 30 June 2017, the Bank's total assets amounted to TL 70.7 billion compared to TL 68.3 billion, TL 44.4 billion and TL 33.7 billion as at 31 December 2016, 2015 and 2014, respectively. The Bank had total liabilities of TL 65.2 billion, TL 63.1 billion, TL 39.7 billion and TL 29.4 billion and total equity of TL 5.5 billion, TL 5.2 billion TL 4.8 billion and TL 4.3 billion as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively.

The Bank's operating income was TL 469.0 million for the six months ended 30 June 2017, a 37.94 per cent. increase compared to TL 340.0 million for the six months ended 30 June 2016. The Bank's operating income

was TL 676.7 million for the year ended 31 December 2016 (a 4.1 per cent. year-on-year decrease) and TL 705.5 million for the year ended 31 December 2015 (a 14.0 per cent. increase compared to TL 619.1 million for the year ended 31 December 2014). The Bank's net profit was TL 271.9 million for the six months ended 30 June 2017 compared to TL 215.5 million for the six months ended 30 June 2016. The Bank's net profit was TL 421.3 million, TL 489.4 million and TL 427.0 million for the years ended 31 December 2016, 2015 and 2014, respectively.

Recent Developments

Since 30 June 2017, the Bank has entered into the following financing arrangements:

- a one-year U.□$15.5 million bilateral loan from □CBC London Branch in July 2017;
- a U.S.$69.1 million loan disbursement in July 2017 in the context of a ten-year (including a three-year grace period) U.S.$270 million loan agreement with the Islamic Development Bank;
- a one-year €30 million bilateral loan from Garanti International Bank N.V. in August 2017;
- a three-year U.S.$200 million bilateral loan agreement with China Development Bank in August 2017;
- a €93.3 million loan disbursement in August 2017 in the context of a three-year €186.5 million syndicated loan from seven banks; and
- a one-year U.S.$87 million and €469 million syndicated loan from 23 banks and financial institutions in August 2017.

In addition, on 28 August 2017, the Treasury made a capital contribution of TL 1.1 billion, increasing the Bank's paid-in share capital to TL 4.8 billion.

Significant Factors Affecting Financial Condition and Results of Operations

Several factors have affected the Bank's results of operations and financial condition in the periods under review (the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014) and may affect the Bank's results of operations and financial condition in the future, some of which are outside of the Bank's control. The following discussion identifies the most significant of these factors.

Turkish Economy

As at 30 June 2017, 97.1 per cent. of the Bank's total assets were located in Turkey. Accordingly, the Bank's results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the rate of economic growth, the level of exports, the rate of inflation and fluctuations in exchange and interest rates. See *"Risk Factors — Risk factors relating to the Bank"* and *"Risk Factors — Risk factors relating to Turkey*".

The following table sets forth selected economic indicators for Turkey as at and for the six months ended 30 June 2017 and as at and for the years ended 31 December 2016, 2015 and 2014.

	As at and for the six months ended 30 June	**As at and for the year ended 31 December**		
	2017	**2016**	**2015**	**2014**
GDP (TL billions).....	N/A	2,591	2,338	2,044

	As at and for the six months ended 30 June	As at and for the year ended 31 December		
	2017	**2016**	**2015**	**2014**
GDP (U.S.$ billions)	N/A	857	861	934
GDP growth (%) (real)[1]	N/A	2.9	6.1	5.2
GDP per capita (U.S.$)	N/A	10,807	10,884	12,019
Unemployment (%)	N/A	10.9	10.3	9.9
Central Bank policy rate (period-end, %)	8.0	8.0	7.5	8.3
Benchmark yield (period-end, %)	10.3	11.1	10.5	8.0
CPI (%)	10.9	8.5	8.8	8.2
Exports (U.S.$ billions)	77.5	142.6	143.8	157.6
Imports (U.S.$ billions)	108.3	198.6	207.2	242.2
Trade deficit (U.S.$ billions)	(30.9)	(56.1)	(63.4)	(84.6)
Current account deficit (U.S.$ billions)	(20.8)	(32.6)	(32.2)	(46.5)
Budget deficit (TL billions)	(25.2)	(29.3)	(23.5)	(23.0)
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar	(0.7)	(21.5)	(25.4)	(8.6)
Real effective exchange rate appreciation (depreciation) (%)[2]	(0.7)	(5.6)	(7.1)	4.7

Sources: Central Bank, Turkish Statistical Institute and General Directorate of Budget and Fiscal Control.

Notes:

(1) Real GDP is an inflation-adjusted measure of gross domestic product that reflects the value of all goods and services produced in a given year, expressed in base-year prices.

(2) Real effective exchange rate is the weighted geometric average of the prices in Turkey relative to the prices of its principal trade partners in international markets. An increase in the real effective exchange rate represents an appreciation of the Turkish Lira in real terms, denoting a rise in the value of Turkish commodities in terms of foreign commodities.

Turkey's economic recovery began in 2010 and continued through 2013 following the global financial crisis and consequent recession of 2008 and 2009. Growth in Turkey slowed during the latter part of 2013 and early 2014 due to global monetary conditions resulting from anticipated tapering of asset purchases by the United States Federal Reserve and domestic political uncertainty due to Turkish elections and social conditions. Conditions stabilised somewhat in mid-2014, but the end of quantitative easing by the United States Federal Reserve in October 2014, domestic political tensions in relation to parliamentary elections in June and November 2015, the attempted military coup in July 2016 and ongoing regional security concerns led to renewed instability. In 2016, Turkey's GDP grew at 2.9 per cent. despite volatility in the global financial markets as well as the attempted military coup in Turkey and geopolitical risks abroad. Although Turkey fell into recession in the third quarter of 2016, with GDP decreasing at an annualised rate of 1.3 per cent., growth recovered in the fourth quarter, principally driven by increased government spending, although consumer and investment demand remained subdued. In the first quarter of 2017, Turkey's GDP grew at a rate of 5 per cent., driven principally by domestic demand as well as a recovery in export performance due to improved conditions in Turkey's export market.

Following the attempted military coup, on 17 July 2016, the Central Bank announced the following measures: (i) it would provide banks with unlimited liquidity as needed; (ii) the commission rate for the intraday

liquidity facilities would be zero; (iii) banks would be allowed to place foreign exchange deposits as collateral without limits for Turkish Lira liquidity; (iv) banks' current foreign exchange deposit limits of approximately U.S. $50 billion would be subject to increase and utilisation conditions (collateral and cost) would be subject to modification if deemed necessary; (v) all markets and systems, including funds transfer and settlement systems, would be left open until the final settlement of transactions; (vi) market volume and prices would be closely monitored; and (vii) all other necessary measures would be taken to ensure financial stability.

Additionally, on 19 July 2016, the Monetary Policy Committee of the Central Bank decided to set short-term interest rates as follows:

- overnight interest rates — (i) the marginal funding rate was reduced from 9 per cent. to 8.75 per cent., and (ii) the borrowing rate was kept at 7.25 per cent.;
- the one-week repo rate was kept at 7.5 per cent.; and
- late liquidity window interest rates (between 4:00 p.m. – 5:00 p.m.) — (i) the borrowing rate was kept at 0 per cent., and (ii) the lending rate was reduced from 10.5 per cent. to 10.25 per cent. (a decrease of 25 basis points).

On 23 August 2016, the Central Bank reduced the overnight interest rate marginal funding rate by 25 basis points to 8.5 per cent. and its late liquidity window lending rate by 25 basis points to 10 per cent. The Central Bank held its one-week repo rate unchanged at 7.5 per cent. and its late liquidity window borrowing rate unchanged at 0 per cent. Subsequently, on 22 September 2016, the Central Bank reduced the overnight interest rate marginal funding rate by a further 25 basis points to 8.25 per cent. and the late liquidity lending rate by 25 basis points to 9.75 per cent., while leaving its policy rate (one-week repo rate) and the lower band (borrowing rate) unchanged at 7.5 per cent. and 7.25 per cent., respectively. On 24 November 2016, the Central Bank increased the overnight interest rate marginal funding rate by 25 basis points to 8.5 per cent., the one-week repo rate by 50 basis points to 8 per cent. and the late liquidity window lending rate by 25 basis points to 10 per cent. Beginning in 2017, the Central Bank started using the late liquidity window lending rate as the upper limit for the interest corridor. Due to depreciation of the Turkish Lira against and the U.S. Dollar, the Central Bank increased the late liquidity window lending rate by 100 basis points, 75 basis points and 50 basis points on 24 January 2017, 16 March 2017 and 26 April 2017, respectively.

Changes in Interest Rates

One of the primary factors affecting the Bank's profitability is the level of, and fluctuations in, interest rates in Turkey over time, which in turn (along with volume) influence the interest income generated by the Bank's assets (primarily loans) and the interest expense associated with its liabilities (primarily funds borrowed to meet foreign currency loan demand). *See "Selected Statistical Information — Changes in Interest Income and Interest Expense — Volume and Rate Analysis"*.

The Bank's Turkish Lira loans are partly funded from its equity, which has a zero cost compared to typical bank funding from deposits and borrowings, and partly by a Central Bank facility denominated in foreign currency and swapped into Turkish Lira. However, loans granted under the Bank's Rediscount Credit Programme are extended to exporters both in Turkish Lira and in foreign currencies. Both the Bank's funding and loan pricing dynamics are different from those of commercial banks in Turkey as a result of Turkish Treasury support and its government mandate. As a result of these factors, the Bank seeks to price its loans below the market rates of other Turkish banks (whose rates are set in large part based on market interest rates). The Bank's foreign currency loans are funded by its borrowings, although its foreign currency loans also tend to be at more favourable rates than those available commercially, since the Bank does not seek to maximise profits, given its government mandate to support exports. For its foreign currency-denominated short-term loan portfolio (i.e. loans with a maturity of up to eight months), the Bank charges fixed rates,

determined at the inception of the loan, based on the London interbank offered rate ("LIBOR"), plus a spread, while for its medium-term and long-term loans (i.e. loans for six months or longer), the Bank generally charges floating rates based on LIBOR. Consequently, changes in LIBOR, as well as changes in the spreads charged by the Bank for its various foreign currency-denominated lending products, result in changes in the Bank's interest rates charged on newly originated short-term foreign currency loans and outstanding medium-term and long-term foreign currency loans and, thus, in the Bank's interest income.

Further, as the Bank borrows in foreign currencies to fund its foreign currency lending activities, changes in market interest rates affect its interest expense. As described in *"— Financial Condition — Liabilities — Funds Borrowed"*, the Bank borrows from the Central Bank and various Turkish and foreign commercial banks and other international financial institutions, and also issues debt securities into the capital markets from time to time.

The following table sets forth the average interest rates of the Bank's total interest-bearing liabilities and net loans for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014. See *"Selected Statistical and Other Information — Average Balance Sheet and Interest Rate Data"* for more information.

	Six months ended 30 June	**Year ended 31 December**		
	2017	**2016**	**2015**	**2014**
Average Interest Rates on:				
Total interest-bearing liabilities.	0.9%	1.6%	1.4%	1.3%
Net loans.....	1.5%	3.1%	3.0%	3.1%

As a result of the Bank's asset and liability mix discussed above, the Bank's net interest margin and net interest spread tends to decrease when overall market interest rates decline. In an environment of declining interest rates, the decrease in rates leads to a general decline in interest income as the Bank reduces the interest rates it charges on loans, while resulting in a limited reduction in interest expense due to borrowings (mainly foreign exchange funding) accounting for only a portion of the Bank's funding. As a result, a decrease in market interest rates has a disparate impact on the Bank's assets and liabilities, unlike for commercial banks, which would ordinarily benefit from a relatively larger decrease in interest expense (compared to the Bank) alongside a decrease in interest income. Additionally, when interest rates decline in a robust economic environment, new lending by commercial banks generally increases; however, the Bank's loan volume is less affected by the economic environment, as its interest rates are generally lower than those charged by commercial banks due to its strategic mission to support Turkish exports.

As at 30 June 2017, the effect of a hypothetical 5 per cent. increase in Turkish Lira interest rates, with all other variables held constant, would have been a TL 106 million decrease in net profit for the six months ended 30 June 2017 and the effect of a hypothetical 4 per cent. decrease in Turkish Lira interest rates, with all other variables held constant, would have been a TL 92 million increase in net profit for the period. As at 30 June 2017, the effect of a hypothetical 2 per cent. increase in euro and U.S. Dollar interest rates, with all other variables held constant, would have been a TL 48 million decrease and a TL 162 million increase, respectively, in net profit for the six months ended 30 June 2017. The effect of a hypothetical 2 per cent. decrease in euro and U.S. Dollar interest rates, with all other variables held constant, would have been a TL 22 million increase and a TL 178 million decrease, respectively, in net interest income for the period. These sensitivities reflect the impact of interest rate changes on monetary assets and liabilities only and include the impact of derivatives.

The following table sets forth the Bank's net interest income, net interest margin and net interest spread for the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014. For further information, see *"Selected Statistical and Other Information — Average Balance Sheet and Interest Rate Data"*.

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL, except percentages)				
Net interest income	446,297	424,572	858,998	711,238	629,356
Net interest margin[1]					
TL	4.2	4.4	8.7	8.1	7.7
Foreign Currency	0.1	0.2	0.2	0.5	0.4
Total	0.7	0.9	1.6	1.8	2.1
Net interest spread[2]					
TL	(0.6)	(0.3)	(0.6)	(1.1)	(1.7)
Foreign Currency	0.2	0.2	0.4	0.5	0.6
Total	0.6	0.8	1.5	1.6	1.9

Notes:

(1) Net interest margin is calculated as the Bank's net interest income divided by the average balance of the Bank's total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period.

(2) Net interest spread is calculated as the difference between the average interest rate on the Bank's interest-earning assets and the average interest rate on the Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period.

Credit Risk and Provisioning for Impaired Loans

Managing the risk that a counterparty to a financial contract with the Bank will fail to perform according to the terms and conditions of the contract and cause the Bank to suffer a loss, or "credit risk", is a key aspect of the Bank's financing and investment activities. See *"Risk Management — Credit Risk"* for further information.

The Bank reviews its loan portfolios to assess impairment on a quarterly basis and, while it is not required to comply with BRSA loan impairment requirements, it voluntarily follows the requirements in all respects. The Bank has not set aside additional general provisions since September 2013 because it believes that its current level of general provisions is appropriate for the level of credit risk to which the Bank is exposed. The Bank's general loan provisions as at 30 June 2017 were TL 130.2 million. Its provision for impaired (non-performing) loans to total impaired (non-performing) loans (i.e. the Bank's coverage ratio) as at 30 June 2017 was 65 per cent.

Additionally, in determining whether a provision should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. The Bank generally provides a 100 per cent. impairment provision for so-called "Group IV" fees, commissions and premium receivables with doubtful collectability and "Group V" uncollectible loans. The Bank also sets aside 20 per cent. impairment provisions for "Group III" loans and other receivables

with limited collectability and "Group IV" loans and other receivables with doubtful collectability. For further information on the general classification of loans and receivables see, *"Turkish Regulatory Environment for Banks — Loan Loss Reserves"*. In the case of impaired (non-performing) loans that are covered by commercial bank guarantees, the impairment charges are reversed when the Bank collects on the guarantee. As at 30 June 2017, provisions for impaired (non-performing) loans were TL 177.9 million, which represented an increase of 23.7 per cent. compared to TL 143.8 million as at 31 December 2016. This increase was primarily due to a 20 per cent. prudential provision for the secured loan with Bank Asya, which entered liquidation in 2016.

As at 30 June 2017, impaired (non-performing) loans amounted to TL 177.9 million compared to TL 143.8 million, TL 131.7 million and TL 127.5 million as at 31 December 2016, 2015 and 2014, respectively. The proportion of the Bank's impaired (non-performing) loans to gross loans was 0.3 per cent. as at 30 June 2017, compared to 0.4 per cent., 0.3 per cent. and 0.4 per cent. as at 31 December 2016, 2015 and 2014, respectively. The proportion of impaired loans to gross loans was 3.1 per cent. for the Turkish banking system as at 30 June 2017.

For further information on the Bank's loan provisioning policies, see Note VII and Note XV to the Interim BRSA Financial Statements, Note VII and Note XV to the BRSA Financial Statements as at and for the year ended 31 December 2016 and Note IX and Note XVI to the BRSA Financial Statements as at and for the year ended 31 December 2015, incorporated by reference in this Prospectus.

Exchange Rate Fluctuations

A significant percentage of the Bank's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and euro. As a result, increases or decreases in the rate of exchange between the Turkish Lira on one hand and the euro and the U.S. Dollar on the other hand can impact the Bank's results of operations and financial condition, subject to the Bank's foreign exchange strategy.

At 30 June 2017, the Bank had U.S. Dollar and euro denominated assets of TL 25.5 billion and TL 34.8 billion, respectively, of which loans constituted TL 23.8 billion, or 93.3 per cent., and TL 33.6 billion, or 96.6 per cent., of the respective U.S. Dollar and euro denominated total assets. At 30 June 2017, U.S. Dollar and euro denominated total liabilities amounted to TL 35.0 billion and TL 28.4 billion, respectively. Funds borrowed constituted TL 26.5 billion, or 75.7 per cent., and TL 28.0 billion, or 98.9 per cent., of the respective U.S. Dollar and euro denominated total liabilities. For further information on assets and liabilities denominated in foreign currencies, see Note II to the Interim BRSA Financial Statements incorporated by reference in this Prospectus. See *"Exchange Rates"* for more information on foreign exchange rates.

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under foreign exchange gains/(losses).

For the six months ended 30 June 2017, the Bank recorded a net foreign exchange gain of TL 445.7 million, compared to a net foreign exchange gain of TL 25.5 million for the six months ended 30 June 2016. The increase in net foreign exchange gain was primarily due to the 0.1 per cent. revaluation of the Turkish Lira against the U.S. Dollar and the decrease in euro/U.S. Dollar rate of exchange. Trading gains/losses on securities and derivative financial assets amounted to a loss of TL 523.5 million for the six months ended 30 June 2017 compared to a loss of TL 186.9 million for the six months ended 30 June 2016. This was primarily driven by losses from cross currency swap transactions and fluctuations in the euro/U.S. Dollar exchange rate.

Management believes that net foreign exchange gains/(losses) and net trading gains/(losses) (which consist of gains/(losses) on securities and gains/losses on derivative financial assets) should be considered together as

the Bank's strategy is to maintain no significant open positions. The Bank recorded an aggregate net loss of TL 77.8 million for of the six months ended 30 June 2017 compared to a net loss of TL 161.3 million for the six months ended 30 June 2016. This decrease was largely due to an increase in foreign exchange gains, which was mainly driven by an increase in the Bank's euro-denominated assets and the abovementioned increase in the euro/U.S. Dollar exchange rate. In addition, in February 2017, the CBRT announced that the repayments of certain rediscounted credits which were lent before 1 January 2017 and were due prior to 31 May 2017 could be made in Turkish Lira. Based on the U.S. Dollar/Turkish Lira exchange rate during the period, the Bank, as borrower, utilised this option, which had a further positive impact on its foreign exchange gains.

For the years ended 31 December 2016, 2015 and 2014, the Bank recorded a net foreign exchange loss of TL 1,000.6 million, TL 700.8 million and TL 201.8 million, respectively. The increase in net foreign exchange loss from 2015 to 2016 was due to a 21 per cent. increase in the Turkish Lira/U.S. Dollar exchange rate. Similarly, the increase in net foreign exchange loss from 2014 to 2015 was driven by a 21 per cent increase in the Turkish Lira/U.S. Dollar exchange rate. The Bank recorded trading gains/(losses) on securities and derivative financial assets of TL 662.1 million, TL 556.4 million and TL 41.3 million in the years ended 31 December 2016, 2015 and 2014.

The Bank recorded an aggregate net loss of TL 338.5 million, TL 145.2 million and TL 164.8 million in the years ended 31 December 2016, 2015 and 2014, respectively. The increase in aggregate net loss in 2016 was mainly due to exchange rate movements.

As part of its strategy to manage the impact of exchange rates and to hedge against foreign exchange exposure, the Bank enters into swap transactions and increased its hedging activities in the six months ended 30 June 2017. As at 30 June 2017, the Bank had entered into swap purchase transactions involving long-term interest rate and cross currency swaps with notional amount of U.S.$2.9 billion, €133.3 million, JPY 23.8 billion and a short-term currency swap for liquidity and currency risk purposes with a notional amount of U.S.$1.1 billion. As at 30 June 2017, the Bank had also entered into long-term interest rate and cross currency swap sale transactions of U.S.$2.1 billion, €891.6 million and TL 36.2 million, and €862 million, £8.1 million, JPY 2.6 billion and TL 172.7 million in a short-term currency swap sale transaction. Additionally, in the six months ended 30 June 2017, forward U.S. Dollar purchase/Turkish Lira sale transactions were realised in order to obtain Turkish Lira from rediscount credits made available by the Central Bank in U.S. Dollars and euro and to hedge against foreign exchange rate risk. The balance of these transactions as at 30 June 2017 was U.S.$1.1 billion in forward purchase transactions, and TL 4.1 billion in forward sale transactions.

Fair Value Hedge Accounting

On 1 January 2013, the Bank began to apply fair value hedge accounting with respect to its interest rate swaps to minimise the effect of interest rate fluctuations on its income statement. The balance of these transactions was U.S.$1.6 billion as at 30 June 2017.

The Bank hedges its foreign exchange risk through the forward buying of U.S. Dollars with the same maturity as its obligations to the Central Bank under its Turkish Lira Rediscount Credit Programme. In 2013, the maturity of these loans was extended from four months to eight months and in 2014, the outstanding balance of the Turkish Lira Rediscount Credit Programme increased significantly. This increase in the outstanding balance and maturity extension led to significant fluctuations on the Bank's income statement. In order to mitigate the impact of these fluctuations, the Bank applied fair value hedge accounting effective from 2 June 2014. The balance of these loans was TL 3.8 billion as at 30 June 2017.

The Bank applied fair value hedge accounting for its U.S.$120 million U.S. Dollar/euro cross-currency swap on 13 August 2015 to minimise the effect of interest rate fluctuations on its income statement.

Cash Flow Hedge Accounting

The Bank applied cash flow hedge accounting for its U.S.$20 million U.S. Dollar/Turkish Lira cross-currency swap on 13 August 2015 to minimise the effect of interest rate fluctuations on its income statement.

Securities Portfolio

The Bank maintains a securities portfolio, which primarily consists of held-to-maturity securities and trading financial assets, consisting of Turkish government bonds, including bonds and treasury bills denominated in Turkish Lira and Eurobonds denominated in foreign currencies. The Bank maintains this securities portfolio to provide liquidity, if necessary, including through repo transactions. The Bank's basic strategy is to keep a significant portion of its securities portfolio in held-to-maturity securities in order to mitigate the exposure of the income statement to temporary price fluctuations in the portfolio. See *"— Financial Condition — Assets — Securities Portfolio"* for further information. The Bank's securities portfolio amounted to TL 285.3 million as at 30 June 2017, of which TL 246.1 million, or 86.3 per cent., was classified as held-to-maturity, TL 28.1 million, or 9.9 per cent., was classified as available-for-sale and TL 11.1 million, or 3.9 per cent., was classified as trading portfolio. Interest income derived from the Bank's trading and investment securities amounted to TL 7.5 million for the six months ended 30 June 2017, accounting for 0.8 per cent. of total interest income for the period, and amounted to TL 14.3 million for the six months ended 30 June 2016, constituting 1.9 per cent. of the total interest income for such period.

Significant Accounting Policies

Strategy of using financial instruments and foreign currency transactions

The Bank uses derivatives to balance its foreign currency asset liability positions for managing its exposure to currency risk.

Foreign currency denominated monetary assets and liabilities are translated based on the exchange rates of the Bank prevailing at the balance sheet date. Gains and losses arising from such transactions are recognised in the income statement under the account of "foreign exchange gains/losses".

As at 31 December 2016, the exchange rates used in the translation of foreign currency denominated monetary assets and liabilities into Turkish Lira were TL 3.5208 for U.S. Dollars, TL 3.70 for euro, TL 3.0069 for 100 JPY and TL 4.3207 for GBP.

Forward transactions, options and derivative instruments

The Bank uses derivative financial instruments in order to mitigate exposure to foreign currency and interest rate risks.

The Bank has outstanding currency and interest rate swap purchases-sales contracts, forward transactions in Turkish Lira and foreign currencies.

The Bank classifies its derivative instruments as "Held-for hedging" or "Held-for-trading" in accordance with "Financial Instruments: Turkish Accounting Standard for Recognition and Measurement" ("TAS 39"). According to this standard, certain derivative transactions providing effective economic hedges under the Bank's risk management position are recorded under the specific rules of TAS 39 and are treated as derivatives "Held-for-trading".

Payables and receivables arising from derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative instruments are re-measured at fair value after initial recognition. If the fair value of a derivative financial instrument is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". Differences in the fair

value of trading derivative instruments are recorded under “trading income/loss” on the income statement. The fair values of derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Derivatives which are classified as “Held-for-hedging” are initially recorded at fair value and the related transaction costs are recorded as at the contract date on the income statement. Subsequently, derivatives are measured at fair value. Aggregate changes in the value of derivatives are recorded on the Bank’s balance sheet as a contract-based single asset/liability. The treatment of the related gain or loss in the value of derivatives depends on whether the hedging instrument is deemed to be effective.

The Bank notifies the Board in writing of the relationship between the hedging instrument and designated hedged asset or liability, the risk management aims and strategy of the hedging instrument and the methods used to measure the effectiveness of the hedge. The Bank evaluates the effectiveness of a hedge based on the extent to which the hedging instrument offsets changes in fair value of the hedged item, and a hedge is considered effective if that offset falls within the range of 80 per cent. and 125 per cent.

If a hedging instrument is deemed to be ineffective, the gain (or loss) from the change in fair value of the hedging instrument is recorded on the income statement together with changes in the value of the hedged asset or liability. These gains (or losses) are recorded in the “Trading Gains/Losses on derivative financial instruments” account.

During periods for which a hedging instrument is deemed to be effective, hedge accounting is applied. On the balance sheet, changes in the fair value of the hedged asset or liability during the period for which the relevant hedging instrument is deemed to be effective are shown together with changes in the value of the hedged asset or liability. In such cases, corrections made to the value of hedge account using the straight-line amortisation method prior to maturity of the relevant hedging instrument are reflected in the “Trading Gains/Losses on derivative financial instruments” account on the income statement.

Interest income and expense

Interest income and expenses are recognised on the income statement on an accrual basis.

The Bank ceases accruing interest income on non-performing loans. Interest income is recorded for non-performing loans when the collection is made.

Fee and commission income and expenses

All fees and commission income/expenses are recognised on an accrual basis, except for certain commission incomes and fees for various banking services which are recorded as income at the time of collection.

Financial assets

The Bank categorises and recognises its financial assets as “Fair value through profit/loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. Financial assets are classified by the Bank’s management at the time of purchase, taking into consideration the purpose of holding the investment.

Financial assets at fair value through profit or loss category have two sub categories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are initially recognised at cost. Acquisition and sale transactions of trading financial assets are recognised and derecognised at the settlement date.

Government bonds and treasury bills recognised under trading financial assets which are traded on the Borsa Istanbul A.Ş. (“BIST”) are valued based on weighted average prices settled on the BIST as at the balance sheet date; and those government bonds and treasury bills traded on the B□□T but which are not subject to

trading on the BIST as at the balance sheet date are valued based on weighted average prices at the latest trading date.

Financial assets classified under trading financial assets and whose fair values cannot be measured reliably are carried at amortised cost using the “effective yield method”. The difference between the purchase cost and the amortised cost at the selling date is recorded as interest income.

If the selling price of a trading financial asset is above its amortised cost as at the sale date, the positive difference between the selling price and the amortised cost is recognised as income under trading gains on securities and if the selling price of a trading security is lower than its amortised cost as at the sale date, the negative difference between the selling price and the amortised cost is recognised as an expense under trading losses on securities.

Derivative financial instruments are classified as trading financial assets unless they are designated as hedging instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note III to the BRSA Financial Statements for the year ended 31 December 2016.

The Bank does not have any financial assets designated as financial assets at fair value through profit or loss.

Held-to-maturity financial assets are assets that are not classified under loans and receivables with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Loans and receivables are financial assets that are originated by the Bank by providing money, services or goods to borrowers other than trading financial assets and financial assets held for the purpose of short-term profit making. Available for sale financial assets are financial assets other than loans and receivables, held to maturity financial assets and financial assets at fair value through profit or loss. Held-to-maturity financial assets and available-for-sale financial assets are initially recognised at cost.

All ordinary course purchases and sales of financial assets are recognised and derecognised at the settlement date. The Bank holds government bonds, treasury bills and foreign currency bonds issued in Turkey and abroad by the Turkish Treasury in its held-to-maturity portfolio.

Held-to-maturity financial assets are initially recognised at cost and are subsequently carried at amortised cost using the effective yield method. Interest earned from held-to-maturity financial assets is recorded as interest income. All ordinary course purchases and sales of held-to-maturity financial assets are accounted at the settlement date.

There are no financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

Available-for-sale financial assets are financial assets other than “Held-to-maturity investments” and “Trading securities”. Available-for-sale financial assets are subsequently re-measured at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at amortised cost, less provision for impairment.

“Unrealised gains and losses” arising from changes in the fair value of securities classified as available-for-sale are recognised under shareholders’ equity as “Marketable securities value increase fund”, until the collection of the fair value of financial assets, the sale of the financial assets, permanent impairment in the fair values of such assets or the disposal of the financial assets. When these securities are disposed of or the fair value of such securities is collected, the accumulated fair value differences in the shareholders’ equity are reflected on the income statement.

Impairment of financial assets

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the "effective yield method", or the fair value if one exists, is lower than its carrying value, then the asset under consideration is determined to be impaired. A provision is made for the diminution in value of the impaired financial asset and this is recorded on the income statement for the relevant period.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously. Otherwise, no offsetting is performed in relation with the financial assets and liabilities.

Assets held for sale and discontinued operations and explanations on liabilities related with these assets

Assets which meet the criteria to be classified as held for sale are measured by the book value and no more amortisation is made for these assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or group of assets to be disposed of) and an active programme should have been started to determine the buyers and to carry out the plan.

Furthermore, the asset (or group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Bank's control and that the Bank's plans for selling the related asset (or group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

Goodwill and other intangible assets

The Bank does not have any goodwill recorded in its financial statements.

Intangible assets consist of computer software licenses. Intangible assets result in net book value as at the balance sheet date by deducting their acquisition cost to accumulated amortisation. Intangible assets are amortised by the straight-line method, considering their useful life and amortisation rates published by Ministry of Finance. During the periods under review, there has been no change in the depreciation method. The Bank does not expect any changes in accounting estimates, useful lives, depreciation method and residual value during the current and the following periods.

For intangible assets, the implemented yearly redemption rate is 33 per cent.

Property and equipment

All property and equipment is initially recognised at cost. Subsequently, property and equipment is carried at cost less accumulated depreciation at the balance sheet date. Depreciation is calculated over the cost of property and equipment using the straight-line method over its estimated useful life. There has been no change in the depreciation method during the periods under review.

The depreciation rate for buildings and for furniture, fixtures and vehicles are 2 per cent. and 6-33 per cent., respectively.

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment. Gains and losses on the disposal of property and equipment are booked to the income statement accounts for the period at an amount equal to the book value. Where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for the diminution in value is charged to the income statement. Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalised over the cost of the tangible asset. The capital expenditures include the cost components that increase the useful life, capacity of the asset or quality of the product or that decrease the costs.

The Bank does not have any pledges, mortgages or any other contingencies and commitments over property and equipment that restrict their usage. The Bank does not expect any changes in accounting estimates that will have a material impact in future periods in relation with the property and equipment.

Investment properties

Investment properties consist of assets held to obtain rent and/ or unearned increment profit. These properties are reflected on the Bank's financial statements without accumulated depreciation of purchase cost and permanent impairment. Investment properties are depreciated in accordance with the useful life principles with straight-line depreciation method. Gains and losses resulted from disposal of investment properties or withdrawn from service of a tangible asset are determined as the difference between sales proceeds and the carrying amount of the asset and included in the income statement.

Lease agreements

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the lease instalments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "provision for value decrease" is recognised. Liabilities arising from the leasing transactions are included in "finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not perform financial leasing transactions as a "lessor".

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

Provisions and contingent liabilities

Provisions and contingent liabilities except for the specific and general provisions recognised for loans and other receivables are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the "matching principle". When the amount of the obligation cannot be estimated reliably it is considered that a "contingent" liability exists. When the amount of the obligation can be estimated reliably and when there is a high possibility of an outflow of resources from the Bank, the Bank recognises a provision for such liability.

The Bank does not have any contingent liabilities based on past events for which there is a possibility of an outflow of resources and whose obligation can be reliably estimated.

Obligations related to employee rights

Under Turkish labour law, the Bank is required to pay a specified amount to employees who have retired or whose employment is terminated other than for the reasons specified in Turkish labour law. Obligations related to employee termination and vacation rights are calculated for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Revised TAS 19 became valid upon publication in the Official Gazette dated 12 March 2013 by the Public Oversight Accounting and Auditing Standards Authority. According to revised TAS 19, once actuarial gains and losses occur, they are recorded under equity and not on the income statement. Benefit costs arising due to being one year closer to the payment of benefit and service cost as a result of service given by an employee are required to be shown in income statement. For the year ended 31 December 2016, TL 0.07 million accounted as actuarial valuation difference was recorded under equity and TL 1.5 million was accounted as service and interest cost on the income statement. For purposes of these calculations, the Bank used a discount rate of 11.20 per cent., inflation of 8.00 per cent. and a change in salary of 9.00 per cent.

As at 31 December 2016, the calculated employment termination obligation amounted to TL 17.1 million. For the year ended 31 December 2016, the Bank also provided a 100 per cent. provision for vacation pay liability relating to prior periods amounting to TL 12.0 million.

For the year ended 31 December 2016, the Bank made provision for bonus payments amounting TL 14.5 million to be paid in January 2017 and dividend to personnel amounting TL 7.8 million to be paid in 2017 from 2016 profit.

Taxation

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from corporate tax. Pursuant to the 3rd Article of the same Act, the above mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states "The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520", the exemption from Corporation Tax continues to apply. Accordingly, no deferred tax asset or liability is recognised in the financial statements.

Borrowings

Trading financial liabilities and derivative instruments are carried at their fair values and other financial liabilities including debt securities in issue are carried at "amortised cost" using the "effective interest method".

The Bank has issued several Eurobonds to support its lending programmes as it is not a deposit-taking institution. In April 2012, the Bank issued notes in the amount of U.S.$500 million (TL 1,759.2 million), which bear interest at a rate of 5.9 per cent. payable semi-annually and have a maturity of seven years (the "April 2012 Notes"). In addition to the April 2012 Notes, the Bank issued additional notes in the amount of U.S.$250 million (TL 879.6 million) in a tap transaction in October 2012 (the "October 2012 Notes"). The Bank also issued notes in September 2014 in the amount of U.S.$500 million (TL 1,759.2 million), which bear interest at a rate of 5.0 per cent. payable semi-annually and have a maturity of seven years (the "September 2014 Notes"). In February 2016, the Bank issued a five-year U.S.$500 million (TL 1,759.2 million) Eurobond, which bears interest at a rate of 5.375 per cent. (the "February 2016 Notes"). In October 2016, the Bank issued a five-year U.S.$500 million (TL 1,759.2 million) Eurobond, which bears interest at a

rate of 5.375 per cent. (the "October 2016 Notes" and, together with the February 2016 Notes, the September 2014 Notes, the October 2012 Notes and the "April 2012 Notes", the "Existing Notes").

The Bank applied hedge accounting in relation to the derivative financial instruments it entered into in respect of the notes it issued.

Issuance of share certificates

The Bank has not issued any shares and accordingly there is no cost related to such a transaction. As the Bank's total paid-in capital is owned by the Turkish Treasury, there is no cost related to share issuance. The distribution of profits of the Bank is resolved at the General Assembly meeting.

Avalised drafts and acceptances

The Bank records its guarantee bills and acceptances in off-balance sheet liabilities.

Segment reporting

The Bank emphasises the scope of business method for segment reporting by considering the Bank's main source and character of risks and earnings. The Bank's activities mainly concentrate on corporate and investment banking.

Other issues

The Bank does not accept deposits. The Bank's mandate extends to export loan operations, export loan insurance and export grants. In addition, the Bank engages in domestic and foreign currency capital market operations as part of its treasury function.

The Bank engages in derivative transactions, currency and interest rate swaps, forward and option transactions and obtains funds by means of syndicated loans, subordinated loans, bond issuance and bank borrowings.

Analysis of Results of Operations for the Six Months Ended 30 June 2017 and 2016 and the Years Ended 31 December 2016, 2015 and 2014

The table below sets forth the Bank's income statement data for the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014.

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL)				
Interest income	973,276	741,593	1, 643,054	1,193,866	962,847
Interest expense	(526,979)	(317,021)	(784,056)	(482,628)	(333,491)
Net interest income	446, 297	424,572	858, 998	711,238	629,356
Fees and commissions received	10, 591	18,021	34, 753	25, 475	35,365
Fees and commissions paid	(9,307)	(8,115)	(20, 897)	(11,677)	(5,586)
Net fees and commissions income/(expense)	1,284	9,906	13,856	13,798	29, 779
Trading gains/(losses) on securities	(6)	9	9	(719)	(4,294)
Trading gains/(losses) on derivative financial assets	(523,471)	(186,857)	662,142	556,359	41,309
Foreign exchange gains/(losses)	445, 687	25,527	(1,000,621)	(700,836)	(201,834)
Trading losses	(77,790)	(161,321)	(338,470)	(145,196)	(164,819)

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL)				
Other operating income	99,180	66,879	142, 282	125,702	124,812
Total operating income	468,971	340,036	676,666	705,542	619,128
Provision for loan losses and other receivables	(51,868)	(16,272)	(26,305)	(24,685)	(18,905)
Other operating expenses	(145,206)	(108,232)	(229,036)	(191,451)	(173,214)
Net profit for the period	271,897	215,532	421,325	489,406	427,009

Results of operations for the six months ended 30 June 2017 and 2016

Net Interest Income

The table below sets forth the components of the Bank's net interest income for the six months ended 30 June 2017 and 2016.

	Six months ended 30 June			
	2017	**2016**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Interest income on:				
Interest on loans	933,727	701,448	33.1	232,279
Interest received from banks	25,365	25,221	0.6	144
Interest received from money market transactions	6,256	259	2315.4	5,997
Interest received from marketable securities portfolio	7,527	14,301	(47.4)	(6,774)
Trading financial assets	661	544	21.5	117
Held-to-maturity investments	6,866	13,757	(50.1)	(6,891)
Other interest income	401	364	10.2	37
Total interest income	973,276	741,593	31.2	231,683
Interest expense on:				
Interest on funds borrowed	(303, 194)	(142,399)	112.9	160,795
Interest expense on securities issued	(219,410)	(164,487)	33.4	54,923
Other interest expenses	(4,328)	(10,135)	(57.3)	(5,807)
Total interest expense	(526,979)	(317,021)	66.2	209,958
Net interest income	446,297	424,572	5.1	21,725

Net interest income is the Bank's primary source of income. The Bank's net interest income increased by 5.1 per cent. to TL 446.3 million in the six months ended 30 June 2017 from TL 424.6 million in the six months

ended 30 June 2016. This increase primarily reflected an increase in the Bank's loan book, higher interest rates for Turkish Lira denominated loans and the depreciation of the Turkish Lira. The Bank's net interest margin in the six months ended 30 June 2017 was 0.69 per cent. compared to 0.89 per cent. in the six months ended 30 June 2016, while its net interest spread was 0.61 per cent. in the six months ended 30 June 2017 compared to 0.81 per cent. in the six months ended 30 June 2016. The changes in interest income and interest expense are discussed below.

Interest Income

The Bank's interest income during the period was primarily derived from interest on loans. For the six months ended 30 June 2017, interest income from loans totalled TL 933.7 million and constituted 96 per cent. of total interest income.

The Bank's interest income increased by 31.2 per cent. to TL 973.3 million in the six months ended 30 June 2017 from TL 741.6 million in the six months ended 30 June 2016. This increase was primarily due to higher demand for loans due to improvements in Turkish economic conditions, in particular a recovery in Turkish exports, as well as the depreciation of the Turkish Lira. The Bank's interest on loans increased to TL 933.7 million for the six months ended 30 June 2017 from TL 701.4 million for the six months ended 30 June 2016. This increase was primarily driven by an increase in demand for loans. The Bank's average balance of loans increased to TL 62.0 billion for the six months ended 30 June 2017 from TL 45.9 billion for the six months ended 30 June 2016, which represented a 35.1 per cent. increase.

Interest Expense

Substantially all of the Bank's interest expense is related to funds borrowed and debt securities (as the Bank is not a deposit-taking institution) and is driven by interest rates and the volume and mix of borrowings.

The Bank's interest expense increased by 66.2 per cent. to TL 526.9 million in the six months ended 30 June 2017 from TL 317.0 million in the six months ended 30 June 2016. This increase was primarily due to an increase in foreign exchange borrowings by 38 per cent. and the depreciation of the Turkish Lira (which increased the cost of foreign exchange borrowings). The average cost of borrowing was LIBOR/EURIBOR plus 1.11 per cent. in the six months ended 30 June 2017, compared to LIBOR/EURIBOR plus 1.04 per cent. in the six months ended 30 June 2016. Interest on funds borrowed for the six months ended 30 June 2017 totalled TL 303.2 million, compared to TL 142.4 million for six months ended 30 June 2016, an increase of 112.9 per cent.

Net Fee and Commission Income/(Expense)

The Bank generates its fee and commission income primarily from its International Loans Programme. See *"Business — Banking Activities — Medium- and Long-term Export Credits — International Loans Programme"*. Fee and commission expenses primarily comprise the fees paid under the Bank's bilateral and club loans. The Bank recorded net fee and commission income of TL 1.3 million in the six months ended 30 June 2017 compared to net fee and commission income of TL 9.9 million in the six months ended 30 June 2016. This decrease was primarily driven by a 42 per cent. decrease in the volume of international credit programmes during the period.

Trading Losses

The Bank's net trading losses (which consists of gains/(losses) on securities and derivative financial assets, as well as foreign exchange gains/(losses)) were TL 77.8 million in the six months ended 30 June 2017, compared to net trading losses of TL 161.3 million in the six months ended 30 June 2016. The Bank recorded a foreign exchange gain of TL 445.7 million for the six months ended 30 June 2017 compared to a foreign exchange gain of TL 25.5 million for six months ended 30 June 2016. The increase in foreign exchange gains during the period was mainly driven by an increase in the Bank's euro-denominated assets and the

abovementioned increase in the euro/U.S. Dollar exchange rate. In February 2017, the CBRT announced that the repayments of certain rediscounted credits which were lent before 1 January 2017 and were due prior to 31 May 2017 could be made in Turkish Lira at a set rate of 3.5338. Due to the depreciation of the Turkish Lira below the fixed CBRT rate, the Bank made repayments in Turkish Lira rather than the foreign currencies in which it had borrowed. Furthermore, the Bank recorded TL 523.5 million in trading losses on derivative financial assets in the six months ended 30 June 2017, compared to trading losses on derivative financial assets of TL 186.9 million in the six months ended 30 June 2016. The increase in net trading losses was primarily driven by the negative effects of losses from cross currency swap transactions and the decrease in the euro/U.S. Dollar exchange rate during the period.

Other Operating Income

Other operating income consists of insurance premium income and income stemming from non-performing loans recoveries. The Bank's other operating income increased to TL 99.2 million in six months ended 30 June 2017 from TL 66.9 million in the six months ended 30 June 2016, a 48.3 per cent. increase. This was primarily driven by premium income from insurance activities.

Provision for Loan Losses and Other Receivables

The Bank's provision for loan losses and other receivables increased by 218.4 per cent. to TL 51.9 million in the six months ended 30 June 2017 from TL 16.3 million in the six months ended 30 June 2016. This was primarily due to increases in provisions for some of the Bank's receivables falling within the "Group III" and "Group IV" categories, in particular, prudential provisions for the secured loan with Bank Asya.

As at 30 June 2017, provisions for impaired (non-performing) loans were TL 177.9 million, accounting for 0.4 per cent. of gross loans, compared to TL 143.8 million as at 31 December 2016, which represented 0.4 per cent. of gross loans. Once collateral is collected on an impaired loan, the impairment is reversed. Since 2009, the Bank has required 100 per cent. collateral on all short-term lending. Since 31 August 2016, the Bank has generally held an impairment provision for loans under follow-up. Although the general and special provisioning ratio for the Bank is set at zero per cent., the Bank makes provisions based on prudent banking principles. As at 30 June 2017, loans under follow-up amounted to TL 273 million and the Bank had recorded TL 178 million in specific provisions.

Other Operating Expenses

The Bank's other operating expenses increased to TL 145.2 million in the six months ended 30 June 2017 compared to TL 108.2 million in the six months ended 30 June 2016, an increase of 34.2 per cent. The increase was mainly driven by a slight increase in the number of personnel due to the structural transformation of the Bank's branch network and its internal reorganisation, an increase in salaries and an increase in premiums paid for reinsurance, which was in turn driven by an increase in the volume of the Bank's insurance activities.

The following table sets forth the components of the Bank's other operating expenses for the six months ended 30 June 2017 and 2016.

	Six months ended 30 June			
	2017	**2016**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Personnel Expenses	66,227	51,851	27.7	14,377

	Six months ended 30 June			
	2017	**2016**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Reserve for Employee Termination benefits	1,801	1,552	16.0	249
Vacation Pay Liability, Net	1,560	1,388	12.4	172
Depreciation Expenses of Tangible Fixed Assets	2,248	2,468	(8.9)	(220)
Amortization Expenses of Intangible Assets	492	307	60.3	185
Other Operating Expenses	14,586	12,104	20.5	2,482
Other[(1)]	58,292	38,562	51.2	19,730
Total Operating Expenses	145,206	108,232	34.2	36,974

Note:

(1) Other operating expenses include the premium amount of TL 39,040 (30 June 2016: TL 25,115) paid to reinsurance companies within the scope of short-term export credit insurance.

Net Profit

As a result of the foregoing factors, the Bank's net profit increased by 26.2 per cent., or TL 56.4 million, to TL 271.9 million in the six months ended 30 June 2017 from TL 215.5 million in the six months ended 30 June 2016. Pursuant to Act No. 3332 and Article 4 of Act No. 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from corporate tax.

Results of operations for the years ended 31 December 2016 and 2015

Net Interest Income

The table below sets forth the components of the Bank's net interest income for the years ended 31 December 2015 and 2014.

	Year ended 31 December			
	2016	**2015**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Interest income on:				
Interest on loans	1, 570,550	1,134,114	38.5	436, 436
Interest received from banks	38,296	32,433	18.1	5,863
Interest received from money market transactions	8,286	2,005	313.3	6,281
Interest received from marketable securities portfolio	24, 934	24,599	1.4	335

	Year ended 31 December			
	2016	**2015**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Trading financial assets	915	1,698	(46.1)	(783)
Held-to-maturity investments	24,019	22,901	4.9	1,118
Other interest income	988	715	38.2	273
Total interest income	1, 643,054	1,193,866	37.6	449,188
Interest expense on:				
Interest on loans borrowed	(398,351)	(191,166)	108.4	207,185
Interest expense on securities issued	(369, 261)	(271,867)	35.8	97,394
Other interest expenses	(16,444)	(19,595)	(16.1)	(3,151)
Total interest expense	(784,056)	(482,628)	62.5	301,428
Net interest income	858, 998	711,238	20.8	147,760

The Bank's net interest income increased by 20.8 per cent. to TL 859.0 million in the year ended 31 December 2016 from TL 711.2 million in the year ended 31 December 2015. This increase was primarily due to an increase in loans and the depreciation of the Turkish Lira. The Bank's net interest margin in the year ended 31 December 2016 was 1.6 per cent., compared to 1.8 per cent. in the year ended 31 December 2015, while its net interest spread was 1.5 per cent. in the year ended 31 December 2016, compared to 1.6 per cent. in the year ended 31 December 2015. The changes in interest income and interest expense are discussed below.

Interest Income

The Bank's interest income in 2016 and 2015 was primarily derived from interest on loans. For the year ended 31 December 2016, interest income from loans totalled TL 1,570.6 million and constituted 96 per cent. of total interest income, compared to 95 per cent. in the year ended 31 December 2015, principally due to an increase in loans, as well as an increase in interest rates for Turkish Lira denominated loans. This increase was the result of the expansion of the loan portfolio by 43 per cent., principally in Central Bank-funded rediscount credits, as well as an increase in interest rates on Turkish Lira denominated loans.

Accordingly, the Bank's interest income increased to TL 1,643.1 million in the year ended 31 December 2016 from TL 1,193.9 million in the year ended 31 December 2015, a 37.6 per cent. increase.

The Bank's average yield on total interest-earning assets decreased to 3.1 per cent. in the year ended 31 December 2016 from 3.0 per cent. for the year ended 31 December 2015, mainly due to the increase in the proportion of rediscount credits, which have lower margins than the Bank's other interest-earning assets, in the Bank's loan portfolio.

Interest Expense

The Bank's interest expense increased by 62.5 per cent. to TL 784.1 million in the year ended 31 December 2016 from TL 482.6 million in the year ended 31 December 2015. The increase was primarily due to the increase in interest expense on marketable securities issued. The increase was also due to the increase in foreign exchange borrowings, including the rediscount facility.

Net Fee and Commission Income/(Expense)

The Bank recorded net fee and commission income of TL 13.9 million in the year ended 31 December 2016 compared to net fee and commission income of TL 13.8 million in the year ended 31 December 2015. This slight increase was primarily due to reimbursement commissions received from international credit programmes, which were driven by an increase in lending volume of the Bank's international credits.

Trading Losses

The Bank's net trading losses (which consists of gains/(losses) on securities and derivative financial assets, as well as foreign exchange gains/(losses)) were TL 338.5 million in the year ended 31 December 2016 compared to net trading losses of TL 145.2 million in the year ended 31 December 2015. The increase in net trading losses was primarily due to foreign exchange losses. The Bank recorded a foreign exchange loss of TL 1,000.6 million for the year ended 31 December 2016 compared to a foreign exchange loss of TL 700.8 million for year ended 31 December 2015, which was primarily driven by a depreciation in Turkish Lira. These foreign exchange losses were offset by TL 662.2 million in trading gains in the year ended 31 December 2016 compared to trading gains of TL 555.6 million in the year ended 31 December 2015.

Other Operating Income

The Bank's other operating income increased to TL 142.3 million in the year ended 31 December 2016 from TL 125.7 million in the year ended 31 December 2015, a 13.2 per cent. increase. This primarily reflected higher income from insurance premiums and commissions, which was driven by an increase in the volume of the Bank's insurance activities and exchange rate fluctuations.

Provision for Loan Losses and Other Receivables

The Bank's provision for loan losses and other receivables increased by 6.5 per cent. to TL 26.3 million in the year ended 31 December 2016 from TL 24.7 million in the year ended 31 December 2015, principally due to the increase in the Bank's insurance activities and the corresponding increase in specific provision expenses, including the provision for decreases in the value of marketable securities and free reserves consisting of provisions for possible risks stemming from insurance activities.

As at 31 December 2016, provisions for impaired (non-performing) loans were TL 143.8 million, which represented 0.2 per cent. of gross loans, compared to TL 131.7 million as at 31 December 2015, which represented 0.3 per cent. of gross loans.

Other Operating Expenses

The Bank's other operating expenses increased to TL 229.0 million in the year ended 31 December 2016 from TL 191.5 million in the year ended 31 December 2015. The increase was mainly due to a slight increase in the number of personnel and an increase in salaries.

The following table sets forth the components of the Bank's other operating expenses for the years ended 31 December 2016 and 2015.

	Year ended 31 December			
	2016	**2015**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Personnel Expenses	106,268	88,894	19.5	17,374
Reserve for Employee Termination benefits	1,453	1,262	15.1	191

	Year ended 31 December			
	2016	**2015**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Vacation Pay Liability, Net	1,478	1,097	34.7	381
Depreciation Expenses of Tangible Fixed Assets	5,045	4,874	3.5	169
Amortization Expenses of Intangible Assets	664	548	21.2	116
Other Operating Expenses	24,789	20,877	18.7	3,912
Other[(1)]	89,339	73,899	20.9	15,442
Total Operating Expenses	229,036	191,451	19.6	37,585

Note:

(1) Other operating expenses include the premium amount of TL 58,063 (31 December 2015: TL 50,858) paid to reinsurance companies within the scope of short-term export credit insurance.

Net Profit

As a result of the foregoing factors, the Bank's net profit decreased by 13.9 per cent., or TL 68.1 million, to TL 421.3 million in the year ended 31 December 2016 from TL 489.4 million in the year ended 31 December 2015.

Results of operations for the years ended 31 December 2015 and 2014

Net Interest Income

The table below sets forth the components of the Bank's net interest income for the years ended 31 December 2015 and 2014.

	Year ended 31 December			
	2015	**2014**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Interest income on:				
Interest on loans	1,134,114	886,588	27.9	247,526
Interest received from banks	32,433	29,564	9.7	2,869
Interest received from money market transactions	2,005	15,034	(86.7)	(13,029)
Interest received from marketable securities portfolio	24,599	29,164	(15.7)	(4,565)
Trading financial assets	1,698	8,609	(80.3)	(6,911)
Held-to-maturity investments	22,901	20,555	11.4	2,346

	Year ended 31 December			
	2015	**2014**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Other interest income	715	2,497	(71.4)	(1,782)
Total interest income	1,193,866	962,847	24.0	231,019
Interest expense on:				
Interest on loans borrowed	(191,166)	(153,580)	24.5	37,586
Interest expense on securities issued	(271,867)	(166,677)	63.1	105,190
Other interest expenses	(19,595)	(13,234)	48.1	6,361
Total interest expense	(482,628)	(333,491)	44.7	149,137
Net interest income	711,238	629,356	13.0	81,882

The Bank's net interest income increased to TL 711.2 million in the year ended 31 December 2015 from TL 629.4 million in the year ended 31 December 2014, a 13.0 per cent. increase. This increase was primarily due to an increase in loans and the depreciation of the Turkish Lira. The Bank's net interest margin in the year ended 31 December 2015 was 1.8 per cent., compared to 2.1 per cent. in the year ended 31 December 2014, while its net interest spread was 1.6 per cent. in the year ended 31 December 2015, compared to 1.9 per cent. in the year ended 31 December 2014. The changes in interest income and interest expense are discussed below.

Interest Income

The Bank's interest income during 2015 was primarily derived from interest on loans. For the year ended 31 December 2015, interest income from loans totalled TL 1,134.1 million and constituted 95 per cent. of total interest income, compared to 92 per cent. in the year ended 31 December 2014, principally due to an increase in loans, as well as the increase in interest rates for Turkish Lira denominated loans.

The Bank's interest income increased to TL 1,193.9 million in the year ended 31 December 2015 from TL 962.9 million in the year ended 31 December 2014, a 24 per cent. increase. This increase was the result of the expansion of the loan portfolio, principally in Central Bank-funded rediscount credits, as well as an increase in interest rates on Turkish Lira denominated loans.

The Bank's average yield on total interest-earning assets decreased to 3.0 per cent. in the year ended 31 December 2015 from 3.2 per cent. for the year ended 31 December 2014, mainly due to the increase in the proportion of rediscount credits, which have lower margins than the Bank's other interest-earning assets, in the Bank's loan portfolio.

Interest Expense

The Bank's interest expense increased by 44.7 per cent. to TL 482.6 million in the year ended 31 December 2015 from TL 333.5 million in the year ended 31 December 2014. The increase was primarily due to the increase in interest expense on marketable securities issued. The increase was also due to the increase in foreign exchange borrowings, including the rediscount facility, partially offset by a decrease in interest rates.

Net Fee and Commission Income/(Expense)

The Bank recorded fee and commission income of TL 13.8 million in the year ended 31 December 2015 compared to net fee and commission income of TL 29.8 million in the year ended 31 December 2014. This decrease was primarily due to an increase in fees paid on the Bank's bilateral and syndicated loans, together with a decline in commissions received in connection with loans granted under the International Loans Programme. The decline in these commissions was due to a change in the accounting treatment of fee income from loans extended under the International Loans Programme with maturities of greater than one year. Prior to 2015, such fee income was recorded in the income statement. After the volume of long-term loans extended under the International Loans Programme increased significantly in the year ended 31 December 2015, the Bank began to record the fee income from such loans as a transitory item in the balance sheet in order to bring the accounting treatment of this fee income in line with that of fee income received through the Bank's other long-term credits.

Trading Losses

The Bank's net trading losses (which consists of gains/(losses) on securities and derivative financial assets, as well as foreign exchange gains/(losses)) were TL 145.2 million in the year ended 31 December 2015 compared to net trading losses of TL 164.8 million in the year ended 31 December 2014. The Bank recorded a foreign exchange loss of TL 700.8 million for the year ended 31 December 2015 compared to a foreign exchange loss of TL 201.8 million for year ended 31 December 2014. These foreign exchange losses were offset by TL 555.6 million in trading gains in the year ended 31 December 2015 compared to trading gains of TL 37.0 million in the year ended 31 December 2014. The decrease in net trading losses was primarily due to the offsetting of losses arising from the Bank's use of forward purchase transactions (within the context of its Rediscount Credit Programme) by other income-generating treasury activities in foreign exchange.

Other Operating Income

The Bank's other operating income increased to TL 125.7 million in the year ended 31 December 2015 from TL 124.8 million in the year ended 31 December 2014, a 0.7 per cent. increase. The Bank had higher insurance premium income and commissions from reinsurance companies as well as higher income from the sale of real property. However, this was offset by a decrease in the adjustment on the previous year's expenses from 2014 to 2015 arising from the increase in value of marketable securities due to a recovery in the prices of government bonds, treasury bills and Eurobonds, as well as the release of free reserves consisting of provisions for possible risks stemming from insurance activities.

Provision for Loan Losses and Other Receivables

The Bank's provision for loan losses and other receivables increased 31 per cent. to TL 24.7 million in the year ended 31 December 2015 from TL 18.9 million in the year ended 31 December 2014, principally due to the increase in the Bank's insurance activities and corresponding increase in specific provision expenses, including the provision for decreases in the value of marketable securities and free reserves consisting of provisions for possible risks stemming from insurance activities.

As at 31 December 2015, provisions for impaired (non-performing) loans were TL 131.7 million, which represented 0.3 per cent. of gross loans, compared to TL 127.5 million as at 31 December 2014, which represented 0.4 per cent. of gross loans.

Other Operating Expenses

The Bank's other operating expenses increased to TL 191.5 million in the year ended 31 December 2015 from TL 173.2 million in the year ended 31 December 2014. The increase was mainly due to a slight increase in the number of personnel and an increase in salaries.

The following table sets forth the components of the Bank's other operating expenses for the years ended 31 December 2015 and 2014.

	Year ended 31 December			
	2015	**2014**	**Change %**	**Change in Amount**
	(in thousands of TL, except percentages)			
Personnel Expenses	88,894	77,378	14.9	11,516
Reserve for Employee Termination benefits	1,262	1,064	18.6	198
Vacation Pay Liability, Net	1,097	1,163	(5.7)	(66)
Depreciation Expenses of Tangible Fixed Assets	4,874	4,179	16.6	695
Amortization Expenses of Intangible Assets	548	445	23.1	103
Other Operating Expenses	20,877	18,972	10.0	1,905
Other[(1)]	73,899	71,077	4.0	2,822
Total Operating Expenses	191,451	173,214	10.5	18,237

Note:

(1) Other operating expenses include the premium amount of TL 50,858 (31 December 2014: TL 45,372) paid to reinsurance companies within the scope of short-term export credit insurance.

Net Profit

As a result of the foregoing factors, the Bank's net profit increased by 14.6 per cent., or TL 62.4 million, to TL 489.4 million in the year ended 31 December 2015 from TL 427.0 million in the year ended 31 December 2014.

Financial Condition

The table below sets out balance sheet data for the Bank as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December		
		2016	**2015**	**2014**
		(in thousands of TL)		
Assets				
Cash and balances with Central Bank	562,345	370,991	1,227	289
Financial assets at fair value through profit/loss (net)	20,721	129,281	14,305	71,924
Banks	2, 342,158	2,518,048	164,402	991,359
Money markets	286,136	368,160	—	75,105
Available-for-sale financial assets (net)	28,142	21,124	18,051	20,538

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Loans and advances	66,146,774	61,609,764	43,159,126	31,889,864
Held-to-maturity securities (net)	246,055	98,549	255,968	296,954
Hedging and derivative financial assets	76,041	460,311	105,138	91,602
Property and equipment (net)	6,076	7,404	13,189	17,766
Intangible assets	4,005	2,759	2,230	1,875
Other assets	976, 831	2,687,592	704,159	285,001
Total assets	70,697,568	68,276,314	44, 437,795	33,742,277
Liabilities				
Trading derivative financial liabilities	204,504	41,322	635	2,260
Borrowings	55,572,644	51,718,845	32,988,250	24,251,343
Money markets	160,000	69,000	200,000	200,064
Marketable securities issued	7,871,159	7,827,323	5,088,218	4,054,191
Funds	13	13	16	16
Miscellaneous payables	492,027	2,747,448	898,347	492,076
Other liabilities	346,116	194,346	87,680	65,215
Hedging derivative financial liabilities	253,576	150,529	42,823	18,938
Provisions	253,197	230,229	223,922	182,768
Tax liability	9,607	8,240	5,608	4,682
Subordinated loans	58,874	88,285	121,591	135,809
Total liabilities	65,221,717	63,075,580	39,657,090	29,427,362
Shareholders' Equity				
Paid-in capital	3,700,000	3,700,000	2,500,000	2,400,000
Capital reserves	16,423	10,043	607,325	609,591
Profit reserves	1,487,531	1,069,366	1,183,974	878,315
Profit or loss	271,897	421,325	489,406	427,009
Total equity	5,475,851	5,200,734	4,780,705	4,314,915
Total liabilities and equity	70,697,568	68,276,314	44,437,795	33,742,277

Assets

As at 30 June 2017, the Bank's total assets amounted to TL 70.7 billion, an increase of 3.5 per cent. from TL 68.3 billion as at 31 December 2016, due to an increase in demand for loans due to improved macroeconomic conditions in Turkey and its export performance. As at 31 December 2016, the Bank's total assets increased by 53.6 per cent. from TL 44.7 billion as at 31 December 2015. As at 31 December 2015, assets increased by 31.7 per cent. from TL 33.7 million as at 31 December 2014, as loans continued to increase due to the recovery in Turkish exports. The following describes the Bank's loans and investment securities, which together represented 94.0 per cent., 90.6 per cent., 97.8 per cent. and 95.5 per cent. of the Bank's total assets as at 30 June 2017 and 31 December 2016, 2015 and 2014, respectively.

Loans

Loans represented 93.6 per cent., 90.2 per cent., 97.1 per cent. and 95.5 per cent. of the Bank's total assets as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively. As at 30 June 2017, the Bank's loans amounted to TL 66.1 billion, an increase of 7.4 per cent. from TL 61.6 billion as at 31 December 2016. The increase was due to increasing demand for loans. As at 31 December 2016, the Bank's loans increased by 42.6 per cent. from TL 43.2 billion as at 31 December 2015 primarily due to increasing demand for loans and the depreciation of the Turkish Lira, which increased the value in Turkish Lira of the Bank's foreign currency loan portfolio. As at December 2015, the Bank's loans increased by 35.4 per cent. from TL 31.9 billion as at 31 December 2014, due to an increase in rediscount credits and medium- to long-term credits.

The following tables set forth the Bank's loans according to maturity and relevant bank type as at 31 December 2016 and 2015:

	As at 31 December 2016			
	Standard loans and other receivables		**Loans under close monitoring and other receivables**	
	Loans and Other Receivables	**Loans and Other Receivables**	**Loans and Other Receivables**	**Restructured Loans and Other Receivables**
	(in thousands of TL)			
Short-term Loans and other receivables.....	36,912,872	1,668,352	15,544	10,586
Non-specialised Loans.....	36,848,557	1,544,476	15,114	10,586
Specialised Loans.....	63,876	123,876	430	—
Other Receivables.....	439	—	—	—
Medium and Long –term Loans and Other Receivables.....	21,412,405	1,294,002	174,901	31,799
Non-specialised Loans.....	15,868,373	723,838	168,093	30,624
Specialised Loans.....	419,020	34,369	—	—
Other Receivables.....	5,125,012	535,795	6,808	1,175

	As at 31 December 2015			
	Standard loans and other receivables		**Loans under close monitoring and other receivables**	
	Loans and Other Receivables	**Loans and Other Receivables**	**Loans and Other Receivables**	**Restructured Loans and Other Receivables**
	(in thousands of TL)			
Short-term Loans and other receivables.....	27,757,705	81,463	10,135	14,564
Non-specialised Loans.....	27,620,948	38,804	9,780	14,564
Specialised Loans.....	136,757	42,659	355	—
Other Receivables.....	—	—	—	—

	As at 31 December 2015			
	Standard loans and other receivables		Loans under close monitoring and other receivables	
	Loans and Other Receivables	Loans and Other Receivables	Loans and Other Receivables	Restructured Loans and Other Receivables
	(in thousands of TL)			
Medium and Long –term Loans and Other Receivables	14,685,890	522,256	5,731	51,382
Non-specialised Loans	14,293,083	544,216	5,731	51,382
Specialised Loans	392,807	8,040	—	—
Other Receivables	—	—	—	—

The following tables set forth the Bank's first and second group loans and other receivables that have been restructured or rescheduled as at 30 June 2017 and as at 31 December 2016 and 2015:

	As at 30 June 2017			
	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	The ones whose terms and conditions changed	Loans and Other Receivables	The ones whose terms and conditions changed
	(in thousands of TL)			
Non-specialised loans	62,676,020	2,270,834	244,571	185,476
Corporation loans	—	—	—	—
Export loans	49,740,360	1,774,524	212,759	162,044
Import loans	—	—	—	—
Loans granted to financial sector	6,828,566	32,297	—	—
Consumer loans	9,849	—	—	—
Credit cards	—	—	—	—
Other	6,097,245	464,013	31,812	23,432
Specialised Loans	349,571	229,631	94,785	285
Other Receivables	—	—	—	—
Total	63,025,591	2,500,465	339,356	185,761

	As at 31 December 2016					
	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Loans and Other Receivables		Loans and Other Receivables	Restructured Loans and Other Receivables	
		The ones whose payment plans have changed (extended)	Other		The ones whose payment plans have changed (extended)	Other
Non-specialised Loans	57,842,381	2,804,109	—	190,015	42,385	—
Working capital loans	—	—	—	—	—	—
Export Loans	46,109,233	2,229,205	—	183,207	41,210	—
Import Loans	—	—	—	—	—	—
Loans Granted to Financial Sector	6,598,400	39,109	—	—	—	—
Consumer Loans	9,297	—	—	—	—	—
Credit Cards	—	—	—	—	—	—
Other	5,125,451	535,795	—	6,808	1,175	—
Specialised Loans	482,896	158,245	—	430	—	—
Other Receivables	—	—	—	—	—	—
Total	58,325,277	2,962,354	—	190,445	42,385	—

	As at 31 December 2015					
	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Loans and Other Receivables		Loans and Other Receivables	Restructured Loans and Other Receivables	
		The ones whose payment plans have changed (extended)	Other		The ones whose payment plans have changed (extended)	Other
Non-specialised Loans	41,914,031	583,020	—	15,511	65,946	—
Working capital loans	—	—	—	—	—	—
Export Loans	33,042,633	304,380	—	15,511	57,075	—
Import Loans	—	—	—	—	—	—
Loans Granted to Financial Sector	5,279,516	1,762	—	—	—	—
Consumer Loans	7,569	—	—	—	—	—
Credit Cards	—	—	—	—	—	—
Other	3,584,313	276,878	—	—	8,871	—
Specialised Loans	529,564	50,699	—	355	—	—

	As at 31 December 2015					
	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Loans and Other Receivables		Loans and Other Receivables	Restructured Loans and Other Receivables	
		The ones whose payment plans have changed (extended)	Other		The ones whose payment plans have changed (extended)	Other
Other Receivables	—	—	—	—	—	—
Total	42,443,595	633,719	—	15,866	65,946	—

As at 30 June 2017, the Bank's impaired loans increased by 23.7 per cent. to TL 177.9 million, as compared to 31 December 2016. This increase was primarily due to a 20 per cent. prudential provision for the secured loan with Bank Asya, which entered liquidation in 2016. As at 31 December 2016, the Bank's impaired loans increased by 9.2 per cent. to TL 143.8 million as compared to TL 131.7 million as at 31 December 2015, primarily due to an increase in bank receivables related to compensation and/or indemnification payments to exporters arising from commercial and political risks and short-term domestic insurance. As at 31 December 2015, the Bank's impaired loans increased by 3.3 per cent. to TL 131.7 million, as compared to TL 127.5 million as at 31 December 2014, principally due to an increase in bank receivables related to compensation and/or indemnification payments to exporters arising from commercial and political risks and short-term domestic insurance.

The proportion of the Bank's impaired loans to gross loans was 0.4 per cent. as at 30 June 2017, compared to 0.4 per cent. as at 31 December 2016, 0.3 per cent. as at 31 December 2015 and 0.4 per cent. as at 31 December 2014.

Banks

Receivables from banks represented 3.3 per cent. of the Bank's total assets as at 30 June 2017, compared to 3.7 per cent. as at 31 December 2016, 0.4 per cent. as at 31 December 2015 and 2.9 per cent. as at 31 December 2014.

As at 30 June 2017, receivables from banks amounted to TL 2,342.2 million, a decrease of TL 175.9 million from TL 2,518.0 million as at 31 December 2016. As at 31 December 2016, receivables from banks increased by 1,432 per cent. from TL 164.4 million as at 31 December 2015, which reflected additional borrowings which were held for liquidity purposes by the Bank. As at 31 December 2015, receivables from banks decreased by 83.4 per cent. from TL 991.4 million as at 31 December 2014, which reflected the increasing share of loans in the Bank's assets.

Securities Portfolio

The Bank's securities portfolio consists of held-to-maturity securities, available-for-sale securities and trading securities. The Bank's held-to-maturity securities principally consist of Turkish government bonds. As at 30 June 2017 and as at 31 December 2016, 2015 and 2014, held-to-maturity securities represented 0.3 per cent., 0.1 per cent., 0.6 per cent. and 0.9 per cent. of the Bank's total assets, respectively. The tables below provide information regarding the Bank's securities portfolio.

The following table sets forth a breakdown of the Bank's debt securities as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Debt Securities[(1)]				
Total held-to-maturity securities	246,055	98,549	255,968	296,954
Total trading financial assets	11,060	129,281	14,305	71,924

Note:

(1) As at 30 June 2017, the value of held-to-maturity securities subject to repurchase transactions was TL 162.3 million, compared to TL 66.4 million, TL 202.7 million and TL 205.9 million as at 31 December 2016, 2015 and 2014, respectively. As at 30 June 2017, government bonds and treasury bills amounting to TL 68.4 million (compared to TL 15.6 million, TL 12.6 million and TL 12.6 million as at 31 December 2016, 2015 and 2014, respectively) had been pledged as collateral with the CBRT and Istanbul Stock Exchange-Settlement and Custody Bank.

The following table sets forth a breakdown of the Bank's equity securities as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Equity securities				
Listed	23,086	16,245	13,681	16,168
Unlisted	5,056	4,879	4,370	4,370
Total	28,142	21,124	18,051	20,538

As at 30 June 2017, the Bank held listed equity securities consisting of a 9.8 per cent. share of Garanti Faktoring Hizmetleri A.Ş. and unlisted equity securities consisting of a 1.54 per cent. share of Kredi Garanti Fonu A.Ş. with an aggregate carrying amount of TL 28,142 million.

The Bank's total securities portfolio, comprising held-to-maturity securities, available-for-sale securities and trading securities, increased from TL 130.4 million as at 31 December 2016 to TL 285.3 million as at 30 June 2017. The increase was due to the Bank's liquidity activities.

Liabilities

As at 30 June 2017, the Bank's total liabilities amounted to TL 65.2 billion, an increase of 3.4 per cent. from TL 63.1 billion as at 31 December 2016. The increase was primarily attributable to an increase in the Bank's borrowings. The Bank's total liabilities increased 58.9 per cent. from TL 39.7 billion as at 31 December 2015. The increase was primarily attributable to bond issuances and increases in the Bank's borrowing (including rediscount credits) and the depreciation of the Turkish Lira.

As at 30 June 2017, the Bank had TL 160.0 million in interbank money market deposits due to funds provided under repurchase agreements and TL 492.0 million in miscellaneous payables, consisting mainly of cash

guarantees obtained in relation to rediscount credits. As at 31 December 2016, the Bank had TL 69.0 million in interbank money market deposits due to funds provided under repurchase agreements.

Borrowings

The following table sets forth the Bank's foreign currency borrowings from domestic and foreign banks as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Domestic Banks[1]	35,935,034	33,338,269	23,588,095	19,598,579
Foreign Banks	19,487,610	18,380,576	9,350,045	4,652,764
Total funds borrowed	55,422,644	51,718,845	32,938,140	24,251,343

Note:

(1) Includes borrowings from the Central Bank.

The following table sets forth the Bank's breakdown of funds borrowed as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Syndicated loans[1]	11,359,927	8,541,338	4,315,374	1,798,723
CBRT loans[2]	33,920,444	32,184,331	22,588,506	19,241,050
Subordinated loans[3]	58,874	88,285	121,591	135,809
World Bank (EFIL) loans[4]	803,393	807,625	704,126	601,612
European Investment Bank[5]	2,603,863	2,488,295	1,532,590	1,060,972
European Council Participation Bank	401,520	370,000	159,113	—
Islamic Development Bank	599,442	599,851	—	—
World Bank (LTEF) loans[4]	178,777	—	—	—
National Bank of Kuwait	—	—	—	34,981
International Islamic Trade Finance Corporation[6]	—	1,360,398	—	465,010
Emirates NBD	80,404	163,003	72,936	—
Standard Chartered Bank	353,021	353,092	291,992	—
Doha Bank	176,539	141,630	218,830	139,598
Garanti International	122,178	111,692	29,192	—
ING European Financial Services	805,235	742,023	638,160	—
Mizuho Corporate Bank Ltd.	604,127	556,064	478,185	283,431
ING Bank N.V.	—	—	159,217	—

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Bank of Tokyo Mitsubishi: London	190,698	184,038	—	282,984
Bank of Tokyo Mitsubishi: Turkey	402,359	370,773	318,655	—
Citibank Europe plc	246,995	406,070	244,923	185,992
J.P. Morgan Chase Bank	—	—	—	156,990
ABC International	133,428	339,900	418,736	—
Vida Finance Plc	747,743	716,146	—	—
ICBC	—	—	146,662	—
ICBC Turkey	882,469	—	—	—
Credit Europe N.V.	—	37,002	111,455	—
Comm. Bank of Qatar	158,887	248,508	129,771	—
ING Bank A.S.	—	—	23,866	—
Türkiye Sinai Kalkınma Bankası	—	—	95,488	—
İşBank AG	—	37,589	—	—
Akbank	—	—	127,289	—
ING Bank DIBA	431,617	397,411	—	—
HSBC	369,576	451,026	133,073	—
Banka Kombetare Tregtare Sh.A.	—	74,020	—	—
Türkiye Kalkınma Bankası	—	—	50,111	—
Ziraat Bank International	—	37,020	—	—
Total	55,631,516	51,807,130	33,109,841	24,387,152

Notes:

(1) As at 30 June 2017, the total balance of syndicated borrowings amounted to TL 11,359,927 thousand and accruals on these borrowings amounted to TL 23,279 thousand. This amount includes a 10-year syndicated loan raised from a consortium of banks in the total amount of TL 4,106,227 thousand and accruals on these borrowings amounted to TL 5,647 thousand, which is covered under the guarantee of MIGA. In addition, the Bank obtained a USD 436 million Murabaha Syndicated Loan coordinated by the International Islamic Trade Finance Corporation ("ITFC"). As at 30 June 2017, the total balance of this borrowing amounted to TL 1,534,022 thousand.

(2) The Bank obtained credit from the Central Bank within the framework of the Short Term Export Receivables Discount Loan and Rediscount Loan programmes amounting to TL 33,920,444 thousand as at 30 June 2017. This credit was used to fund short-term export loans of typically four to eight months.

(3) As at 30 June 2017, U.S.$200 million of the Fiscal and Public Sector Adaptation Credit, with a maturity of 15 April 2018, provided by the World Bank to the Turkish Treasury in accordance with the agreement signed on 12 July 2001, was transferred to the Bank for the development and support of the export-oriented real sector. The accrual on this borrowing amounted to TL 208 thousand and the total balance amounted to TL 58,666 thousand as at 30 June 2017.

(4) The outstanding balances of the two lines of credit from the World Bank guaranteed by the Turkish Treasury as at 30 June 2017 amounted to TL 616,158 thousand (equivalent to U.S.$175,124 thousand) and TL 187,236 thousand (equivalent of €46,632 thousand). Total accruals on these borrowings amounted to TL 2,903 thousand and the total balance amounted to TL 803,393 thousand. The Bank obtained another credit line from World Bank (Long Term Export Finance Project). The total balance of this borrowing amounted to TL 178,777 thousand.

(5) As at 30 June 2017, the Bank had six loan facilities with the European Investment Bank guaranteed by the Turkish Treasury in September 2008, May 2012, October 2013, November 2014, May 2015 and May 2016. The total balance of the loans granted by the European Investment Bank as at 30 June 2017 was TL 2,603,863 thousand and interest accrual on these borrowings amounted to TL 5,408 thousand as at that date.

(6) As at 30 June 2017, the Bank's borrowings from the ITFC were included in syndicated loans.

Most of the Bank's loan agreements contain a financial covenant to maintain a minimum capital adequacy ratio at all times (currently 12 per cent. as recommended by the BRSA) and a cross-default provision triggered by non-payment of other external indebtedness which exceeds EUR 10 million.

The following table sets forth the maturity profile of funds borrowed as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017		As at 31 December					
			2016		2015		2014	
	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency	TL	Foreign currency
				(in thousands of TL)				
Short-Term	150,000	40,911,912		39,307,351	50,110	28,318,684	—	22,553,779
Medium and Long-Term	—	14,569,606	—	12,449,779	—	4,741,047	—	1,833,373
Total	150,000	55,481,518	—	51,807,130	—	33,059,731	—	24,387,152

As at 30 June 2017, the Bank's total borrowings amounted to TL 55.6 billion, an increase of 7.5 per cent. from TL 51.7 billion as at 31 December 2016. The increase was primarily attributable to increases in the Bank's borrowing (including rediscount credits).

For more information regarding indebtedness entered into since 30 June 2017, see "— *Recent Developments*" and "*Capitalisation*".

Marketable securities issued

As at 30 June 2017, the Bank had TL 7.9 billion in marketable securities, consisting of U.S.$500 million (TL 1,759.2 million) in notes issued in April 2012 which bear interest at a rate of 5.9 per cent. and have a maturity of seven years, of which an additional U.S.$250 million (TL 879.6 million) was issued in October 2012; U.S.$500 million (TL 1,759.2 million) in notes issued in September 2014 which bear interest at a rate of 5 per cent. and have a maturity of seven years; U.S.$500 million (TL 1,759.2 million) issued in February 2016 which bear interest at a rate of 5.4 per cent. and have a maturity of five years; and U.S.$500 million (TL 1,759.2 million) in notes issued in October 2016 which bear interest at a rate of 5.375 per cent. and have a maturity of five years.

Shareholders' Equity

As at 30 June 2017, the Bank's shareholders' equity amounted to 7.7 per cent. of the Bank's total assets, compared to 7.6 per cent. at 31 December 2016, due to the increase of the Bank's asset base and increased financial leverage.

The following table sets forth the capital contributions by the Turkish Treasury for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014.

	As at 30 June 2017	For the year ended 31 December 2016	2015	2014
		(in thousands of TL)		
From extraordinary reserves	—	600,343	100,000	200,000
From other capital reserves	—	599,657	—	—

The Turkish Treasury has made, and may continue to make, periodic capital contributions to the Bank through new capital contributions or retained earnings. Any such contribution must be included within the proposed budget for the following year and the amount is only paid out after the budget is approved. The nominal capital of the Bank increased to TL 3.7 billion in March 2016 and the paid-in capital was fully paid as at March 2016. At the Bank's Extraordinary General Assembly held on 12 January 2017, it was decided to apply the registered capital system in the Bank, under which the Board of Directors is now authorised to make capital increases up to TL 10 billion without requiring further General Assembly resolutions for each capital increase. The Bank amended its Articles of Association to register the change to the registered capital system.

On 5 February 2017, the Treasury authorised the Bank to increase its paid-in capital through capital reserves and extraordinary reserves from TL 3.7 billion to TL 4.8 billion. On 28 August 2017, the Treasury made a capital contribution of TL 1.1 billion, increasing the Bank's paid-in share capital to TL 4.8 billion. The Bank plans to increase its paid-in capital to TL 10 billion until 2021 through several capital increases. However, there is currently no commitment in place by the Treasury to fund further increases. For details of the Bank's current capitalisation, see *"Capitalisation"* and *"Risk Factors—Risk factors relating to the Bank—The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs"*.

Liquidity

The Bank's principal sources of funding are (i) direct funding from the Treasury through capital injections, (ii) Central Bank rediscount facilities, (iii) bilateral funding from commercial banks and (iv) funds raised in the international financial markets. The Bank receives capital contributions from the Treasury, political risk indemnification by the Treasury, loans from domestic and international banks, borrowings from the Central Bank and monies received from the issuance of notes and other debt securities. In recent years, funding services other than capital injections have become increasingly important and the Bank's leverage has increased. The Bank obtained rediscount loans from the Central Bank within the framework of "Short Term Export Receivables Discount Loan" and "Pre-shipment Rediscount Loan" programmes amounting to U.S.$9.6 billion outstanding as at 30 June 2017. As at 30 June 2017, the Central Bank's rediscount loans accounted for 52 per cent. of the Bank's total loans. Unlike most commercial banks, the Bank does not accept any retail or corporate deposits, although it does, from time to time, accept certain interbank deposits. Accordingly, the Bank has a positive duration gap, with longer-term funding and shorter-term assets. As a result, the Bank's liquidity is more manageable than Turkish commercial banks, with its principal liquidity demands occurring as a result of repayments of its foreign currency borrowings and new credit activity. Accordingly, the Bank is generally able to plan for its principal liquidity demands in advance, typically through arranging further borrowings to pay off debts coming due or through increasing its cash on hand by retaining (and not re-lending) proceeds received upon repayment of loans extended by the Bank. Because most of the Bank's loan portfolio is comprised of short-term loans, it is able to rely on cash flow from its maturing loans as a substantial part of its liquidity management.

Capital Adequacy

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

Under these guidelines, a bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current period minus period loss (if any), prepaid expenses, leasehold improvements and intangible assets), its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations in financial institutions, special and preliminary and negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalised costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk, market risk and operational risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8 per cent., although the BRSA recommended level is 12 per cent.

The Bank has complied with the minimum capital adequacy ratio requirement, stated above, for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014. As at 30 June 2017, the Bank's capital adequacy ratio was 15.09 per cent. (under Basel II). As at 31 December 2016, 2015 and 2014, the Bank's capital adequacy ratio was 13.41 per cent., 18.94 per cent. and 24.11 per cent. (each under Basel II), respectively. As at 30 June 2017 and 31 December 2016, 2015 and 2014, the Bank's Tier I capital adequacy ratio was 14.7 per cent, 13.1 per cent, 18.4 per cent. and 23.4 per cent., respectively.

The following table sets forth the Bank's regulatory capital position at 30 June 2017 and 31 December 2016, 2015 and 2014 (each under Basel II).

	As at 30 June 2017	For the year ended 31 December		
		2016	2015	2014
			Bank	
		(in thousands of TL)		
Capital Liability Required for Credit Risk (Amount Subject to Credit Risk*0.08) (ASCR)	2,831,300	3,055,138	2,009,922	1,411,587
Amount Subject to Market risk (ASMR)	39,887	35,757	13,323	17,809
Amount Subject to Operational Risk (ASOR)	99,757	86,051	66,088	51,298
Shareholders' Equity	5,475,851	5,200,734	4,945,331	4,463,152
Shareholders' Equity/ ((ASCR+ASMR+ASOR)*12.5) *100	15.09%	13.41%	18.94%	24.11%

Effective from 1 July 2012, the Bank's capital adequacy ratio under Basel II has been reported to the BRSA. Under Basel II standards, the Bank's capital adequacy ratio reported to the BRSA was 15.09 per cent. as at 30 June 2017, principally reflecting a 7 per cent. decrease in capital liability for credit risk while equity increased by 5 per cent. as compared to 31 December 2016.

Off balance sheet liabilities

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in its balance sheets, including insurance activities, letters of guarantee, other guarantees and off-balance sheet derivative instruments. The Bank's management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

Derivative Financial Instruments

The Bank uses currency and interest rate swaps, which are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of principal as well. The Bank's credit risk with respect to swap transactions represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (as assets) or unfavourable (as liabilities) as a result of fluctuations in foreign exchange rates and interest rates. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The following table sets forth the Bank's derivative transactions by type as at 31 December 2016 and 2015.

	As at 31 December	
	2016	**2015**
	(in thousands of TL)	
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	7,284,011	1,549,890
Forward Transactions	62,073	97,452
Swap Transactions	7,219,018	1,452,438
Futures Transactions	—	—
Option Transactions	2,920	—
Interest Related Derivative Transactions (II)	1,340,602	611,722
Forward Interest Rate Agreements	—	—
Interest Rate Swaps	1,340,602	611,722
Interest Rate Options	—	—
Interest Rate Futures	—	—
Other Trading Derivative Transactions:[1] (III)	—	—
A. Total Trading Derivative Transactions (I+II+III)	8,624,613	2,161,662

	As at 31 December	
	2016	**2015**
	(in thousands of TL)	
Types of Hedging Derivative Transactions	—	—
Fair Value Hedges	19,392,865	11,678,621
Cash Flow Hedges	106,636	94,484
Foreign Currency Investment Hedges	—	—
B. Total Hedging Derivative Transactions (IV)	19,499,501	11,773,105
Total Derivative Transactions (A+B)	28,124,114	13,934,767

Note:

(1) Includes currency and interest swap transactions.

The following table sets forth the Bank's derivative transactions by currency as at 31 December 2016:

	TL	**USD(1)**	**GBP(1)**	**EURO(1)**	**JPY(1)**
			(in thousands)		
Trading Derivative Financial Instruments	260,825	4,299,705	28,517	3,276,400	759,166
Forward Transactions	30,368	31,705	—	—	—
Forward Foreign Exchange Purchase Transactions	3,764	28,008	—	—	—
Forward Foreign Exchange Sell Transactions	26,604	3,697	—	—	—
Swap Transactions	229,017	4,268,000	28,517	3,274,920	759,166
Swap Money Purchase Transactions	—	—	—	—	—
Swap Money purchase Transactions FC-TL	—	228,852	—	—	—
Swap Money purchase Transactions FC-FC	—	2,698,546	—	—	715,642
Swap Money Sale Transactions FC-TL	229,017	—	—	—	—
Swap Money Sale Transactions FC-FC	—	—	28,517	3,274,920	43,524
Swap Interest Purchase Transactions FC-FC	—	670,301	—	—	—
Swap Interest Sale Transactions FC-FC	—	670,301	—	—	—
Option Money Purchase Transactions	1,440	—	—	1,480	—
Money Purchase of Options	720	—	—	740	—
Money Sale of Options	720	—	—	740	—
Hedging Derivative Financial Assets	3,547,489	15,590,507	—	361,505	—
Forward Transactions	3,511,269	3,760,619	—	—	—
Forward Foreign Exchange Purchase Transactions	—	3,760,619	—	—	—

	TL	USD[1]	GBP[1]	EURO[1]	JPY[1]
Forward Foreign Exchange Sell Transactions	3,511,269	—	—	—	—
Swap Transactions	36,220	11,829,888	—	361,505	—
Swap Money Purchase Transactions	—	492,912	—	—	—
Swap Money Sale Transactions	36,220	—	—	361,505	—
Swap Interest Purchase Transactions	—	5,668,488	—	—	—
Swap Interest Sale Transactions	—	5,668,488	—	—	—

Note:

(1) Amounts shown in original currency.

Credit related commitments

Letters of guarantee, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Cash requirements under these guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table sets forth the outstanding credit related commitments of the Bank as at 30 June 2017, and 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Financial guarantees				
Other guarantees[1]	4,971,070	3,863,578	2,754,481	1,613,307

Note:

(1) Guarantees are provided in foreign currency.

For more information, see *"—Assets—Securities Portfolio"* above.

The Bank provides cover for Turkish exporters against commercial and political risks by offering a variety of insurance programmes. Other guarantees include the Bank's commitment related with the underwritten short-term commercial and political risks. See *"Business — Banking Activities — Insurance"* for further information.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables set forth certain selected statistical information and ratios for the Bank as at and for the periods indicated. The selected statistical information should be read in conjunction with the BRSA Financial Statements, and the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations". Certain information presented in this section has been prepared on the basis of the IFRS Financial Statements, as indicated herein. Certain other information presented in this section has been presented on the basis of the Bank's internal accounts prepared in accordance with BRSA Principles, as indicated herein.

Average Balance Sheet and Interest Rate Data

The following tables set forth the average balances of interest-bearing assets and interest-bearing liabilities of the Bank for the six months ended 30 June 2017 and 2016 and for the years ended 31 December 2016, 2015 and 2014 based on the BRSA Financial Statements and other financial information prepared in accordance with BRSA Principles. The table also sets forth the amounts of interest income earned and interest expense incurred by the Bank in the six months ended 30 June 2017 and 2016, and the years ended 31 December 2016, 2015 and 2014, as well as the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities based on the BRSA Financial Statements and other financial information prepared in accordance with BRSA Principles.

For the purposes of the following tables, average balances of assets and liabilities for the Bank for the six months ended 30 June 2017 and 2016 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to May of the applicable period and the closing balance as at the end of the applicable period. For the purposes of the following tables, average balances of assets and liabilities for the Bank for the years ended 31 December 2016, 2015 and 2014 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to November of the applicable year and the closing balance as at the end of the applicable period. Unaudited balances as at the end of the months of January to May of the year 2017 and unaudited balances as at the end of the months of January to November of each of the years 2016, 2015 and 2014 were extracted from the Bank's internal accounts prepared in accordance with BRSA Principles. See *"Presentation of Financial and Other Information"*. The results of the analysis would likely be different if alternative or more frequent averaging methods were used and such differences could be material. For the purposes of the following tables, the average interest rate for any line item is calculated by dividing interest income or interest expense, as applicable, by the average balance for such line item for the relevant period. Average interest rates in this and the following table are distinct from the period-end effective interest rates discussed in the BRSA Financial Statements.

	Six months ended 30 June 2017			**Six months ended 30 June 2016**		
	Average Balance	**Interest Income**	**Average Rate %**	**Average Balance**	**Interest Income**	**Average Rate %**
	(in thousands of TL, except percentages)					
ASSETS						
Interest-earning deposits in banks & reserve requirements & interbank money:						
TL	450,890	23,589	5.23	385,770	23,574	6.11
Foreign currency	2,437,858	8,031	0.33	1,167,204	1,906	0.16

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %
	(in thousands of TL, except percentages)					
Total	2,888,748	31,620	1.09	1,552,974	25,480	1.64
Securities portfolio:						
TL	173,575	7,527	4.34	295,071	14,301	4.85
Foreign currency	—	—	—	—	—	—
Total	173,575	7,527	4.34	295,071	14,301	4.85
Loans:[1]						
TL	8,347,747	352,851	4.23	7,646,415	336,490	4.40
Foreign currency	53,640,661	580,877	1.08	38,241,900	364,958	0.95
Total	61,988,408	933,728	1.51	45,888,315	701,448	1.53
Other:[2]						
TL	—	90	—	—	136	—
Foreign currency	—	311	—	—	228	—
Total	—	401	—	—	364	—
Total interest-earning assets:						
TL	8,972,212	384,057	4.28	8,327,256	374,501	4.50
Foreign currency	56,078,519	589,219	1.05	39,409,104	367,092	0.93
Total	65,050,731	973,276	1.50	47,736,360	741,593	1.55

Notes:

(1) Calculated on the basis of net loans, excluding accruals.

(2) Includes overdue/penalty interest and interest income from reverse repo transactions.

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended December 2014		
	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %
	(in thousands of TL, except percentages)								
ASSETS									
Interest-earning deposits in banks& reserve requirements & interbank money:									
TL	372,883	39,527	10.60	269,272	32,460	12.05	420,889	41,862	10.0
Foreign currency	1,994,922	7,055	0.35	631,389	1,978	0.31	748,910	2,736	0.4
Total	2,367,805	46,582	1.97	900,661	34,438	3.82	1,169,799	44,598	3.9
Securities portfolio:									
TL	259,401	24,934	9.61	275,985	23,733	8.60	276,711	20,679	7.5
Foreign currency	—	—	—	11,722	866	7.39	114,274	8,485	7.4
Total	259,401	24,934	9.61	287,707	24,599	8.55	390,985	29,164	7.5
Loans:[1]									
TL	8,008,985	704,347	8.79	6,470,288	528,986	8.18	6,118,907	477,960	7.8
Foreign currency	42,285,277	866,203	2.05	31,772,912	605,128	1.90	22,597,753	408,628	1.8

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended December 2014		
	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %
	(in thousands of TL, except percentages)								
Total	50,294,262	1,570,550	3.12	38,243,200	1,134,114	2.97	28,716,659	886,588	3.1
Other:[2]									
TL	—	326	—	—	381	—	—	223	—
Foreign currency	—	662	—	—	334	—	—	2,274	—
Total	—	988	—	—	715	—	—	2,497	—
Total interest-earning assets:									
TL	8,641,268	769,134	8.90	7,015,545	585,560	8.35	6,816,507	540,724	7.9
Foreign currency	44,280,199	873,920	1.97	32,416,023	608,306	1.88	23,460,936	422,123	1.8
Total	52,921,467	1,643,054	3.10	39,431,568	1,193,866	3.03	30,277,443	962,847	3.2

Notes:

(1) Calculated on the basis of net loans and advances to customers, excluding accruals.

(2) Includes overdue/penalty interest and interest income from reverse repo transactions.

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Average Balance	Interest income	Average Rate %	Average Balance	Interest income	Average Rate %
	(in thousands of TL, except percentages)					
LIABILITIES						
Funds provided under repurchase agreements[1]						
TL	60,485	2,978	4.92	203,270	10,025	4.93
Foreign currency	—	—	—	—	—	—
Total	60,485	2,978	4.92	203,270	10,025	4.93
Borrowings						
TL	128,571	6,216	—	7,159	158	—
Foreign currency	51,479,700	296,978	0.58	36,159,716	142,242	0.39
Total	51,608,271	303,194	0.58	36,166,875	142,400	0.39
Debt Securities in Issue[1]						
TL	—	—	—	—	—	—
Foreign currency	7,907,696	219,410	2.77	6,065,101	164,487	2.71
Total	7,907,696	219,410	2.77	6,065,101	164,487	2.71
Other[2]						
TL	—	—	—	—	—	—
Foreign currency	—	1,397	—	—	109	—
Total	—	1,397	—	—	109	—
Total interest-bearing liabilities						
TL	189,056	9,194	4.86	210,429	10,183	4.84
Foreign currency	59,387,396	517,785	0.87	42,224,817	306,838	0.73

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Average Balance	Interest income	Average Rate %	Average Balance	Interest income	Average Rate %
	(in thousands of TL, except percentages)					
Total	59,576,453	526,979	0.88	42,435,246	317,021	0.75

Notes:

(1) Average balances of liabilities for the Bank for the six months ended 30 June 2017 and 2016 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to May of the applicable period and the closing balance as at the end of the applicable period. Notwithstanding this method of calculation, the yields on 'Funds provided under repurchase agreements' and 'Debt securities in issue' are calculated on a different basis, i.e. as the interest expense divided by the average balances of monthly balances only for the period where an outstanding balance exists. Given that there was no balance in the other months, using 13-month average balances would produce distorted results.

(2) Includes interest expense accrued during a waiting period (of at most 120 days) for claims to be paid to exporters arising from the credit insurance facility.

	Year ended 31 December 2016			Year ended 31 December 2015			Year ended 31 December 2014		
	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %	Average Balance	Interest Income	Average Rate %
	(in thousands of TL, except percentages)								
LIABILITIES									
Funds provided under repurchase agreements[1]									
TL	167,953	16,172	9.63	208,069	19,548	9.39	136,450	13,202	9.7
Foreign currency	—	—	0.0	—	—	0.0	—	—	0.0
Total	167,953	16,172	9.63	208,069	19,548	9.39	136,450	13,202	9.7
Borrowings									
TL	3,855	158	0.0	3,855	528	0.0	0.0	1	0.0
Foreign currency	40,861,317	398,193	0.97	29,754,332	190,638	0.64	22,616,037	153,579	0.7
Total	40,865,172	398,351	0.97	29,758,186	191,166	0.64	22,616,037	153,580	0.7
Debt Securities in Issue[1]									
TL	—	—	0.0	—	—	0.0	—	—	0.0
Foreign currency	6,628,629	369,261	5.57	4,699,374	271,867	5.79	3,018,351	166,677	5.5
Total	6,628,629	369,261	5.57	4,699,374	271,867	5.79	3,018,351	166,677	5.5
Other[2]									
TL	—	—	0.0	—	—	0.0	—	2	0.0
Foreign currency	—	272	0.0	—	47	0.0	—	30	0.0
Total	—	272	0.0	—	47	0.0	—	32	0.0
Total interest-bearing liabilities									
TL	171,808	16,330	9.50	211,924	20,076	9.47	136,450	13,205	9.7
Foreign currency	47,489,946	767,726	1.62	34,453,706	462,552	1.34	25,634,388	320,286	1.3
Total	47,661,754	784,056	1.65	34,665,630	482,628	1.39	25,770,838	333,491	1.3

Notes:

(1) Average balances of assets and liabilities for the Bank for the years ended 31 December 2016, 2015 and 2014 represent the average of the opening balances as at 31 December of the prior year, the unaudited balances as at month end for each of the months of January to November of the applicable year and the closing balance as at the end of the applicable period. Notwithstanding this method of calculation, the yields on 'Funds provided under repurchase agreements' and 'Debt securities in issue' are calculated on a different basis, i.e. as the interest expense divided by the average balances of monthly balances only for the period

where an outstanding balance exists. Given that there was no balance in the other months, using 13-month average balances would produce distorted results.

(2) Includes interest expense accrued during a waiting period (of at most 120 days) for claims to be paid to exporters arising from the credit insurance facility.

Interest-Earning Assets: Yield, Margin and Spread

The following table sets forth the Bank's net interest income, yields on interest-earning assets and interest-bearing liabilities, net interest margins and net interest spreads for the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014.

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL, except percentages)				
Net interest Income					
TL	374,863	364,318	752,804	565,484	527,519
Foreign Currency	71,434	60,254	106,194	145,754	101,837
Total	446,297	424,572	858,998	711,238	629,356
Yield on interest-earning assets					
TL	4.28	4.50	8.90	8.35	7.93
Foreign Currency	1.05	0.93	1.97	1.88	1.80
Total	1.50	1.55	3.10	3.03	3.18
Yield on interest-bearing liabilities(1)					
TL	4.86	4.84	9.50	9.47	9.68
Foreign Currency	0.87	0.73	1.62	1.34	1.25
Total	0.88	0.75	1.65	1.39	1.29
Net Interest Margin(2)					
TL	4.18	4.38	8.71	8.06	7.74
Foreign Currency	0.13	0.15	0.24	0.45	0.43
Total	0.69	0.89	1.62	1.80	2.08
Net Interest Spread(3)					
TL	(0.58)	(0.34)	(0.60)	(1.13)	(1.74)
Foreign Currency	0.18	0.20	0.36	0.53	0.55
Total	0.61	0.81	1.46	1.64	1.89

Notes:

(1) See footnote 1 to the third and fourth tables set forth under "*—Average Balance Sheet and Interest Rate Data*".

(2) Net interest margin is calculated as the Bank's net interest income divided by the average balance of the Bank's total interest-earning assets during the applicable period. Average balances of total interest-earning assets are calculated as the average of monthly balances during the applicable period.

(3) Net interest spread is calculated as the difference between the average interest rate on the Bank's interest-earning assets and the average interest rate on the Bank's interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities are calculated as the average of monthly balances during the applicable period. The negative figures in TL net interest spreads for the periods presented related to insignificant level of borrowings through money market transactions.

Changes in Interest Income and Interest Expense—Volume and Rate Analysis

The following tables set forth a comparative analysis of changes in interest income and interest expense of the Bank for the six months ended 30 June 2017 and 2016, and the years ended 31 December 2016, 2015 and 2014. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Changes in interest income and expense due to changes in volume have been calculated as the change in volume times the prior year's average rate. Changes in interest income and expense due to changes in rate have been calculated as the residual amount which can be expressed as the difference between the total changes in interest income and expense and the changes in interest income and expense due to changes in volume.

Analysis of Changes in Net Interest Income

	Change from six months ended 30 June 2017 to six months ended 30 June 2016			**Change from 31 December 2016 to 31 December 2015**			**Change from 31 December 2015 to 31 December 2014**		
	Increase/(decrease) Due to changes in			**Increase/(decrease) Due to changes in**			**Increase/(decrease) Due to changes in**		
	Volume	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**	**Volume**	**Rate**	**Net Change**
	(in thousands of TL)								
Interest-earning deposits in banks & reserve requirements & interbank money:									
TL	3,979	(3,964)	15	12,490	(5,423)	7,067	(15,080)	5,678	(9,402)
Foreign currency	2,075	4,050	6,125	4,272	805	5,077	(429)	(329)	(758)
Total	21,916	(15,776)	6,140	56,098	43,954	12,144	(10,261)	(101)	(10,160)
Securities portfolio:									
TL	(5,888)	(886)	(6,774)	(1,426)	2,627	1,201	(54)	3,108	3,054
Foreign currency	0	0	0	(866)	0	(866)	(7,615)	(4)	(7,619)
Total	(5,888)	(886)	(6,774)	(2,420)	2,755	335	(7,704)	3,139	(4,565)
Loans:									
TL	30,863	(14,502)	16,361	125,798	49,563	175,361	27,447	23,579	51,026
Foreign currency	146,957	68,962	215,919	200,212	60,863	261,075	165,912	(30,588)	196,500
Total	246,106	(13,826)	232,280	357,378	79,058	436,436	294,119	(46,593)	247,526
Total interest-earning assets:									
TL	29,006	(19,450)	9,556	135,693	47,881	183,574	15,789	29,047	44,836
Foreign currency	155,274	66,853	222,127	222,638	42,976	265,614	161,125	25,058	186,183
Total	268,982	(37,299)	231,683	408,432	40,756	449,188	291,109	(60,090)	231,019

Analysis of Changes in Net Interest Expense

	Change from six months ended 30 June 2017 to six months ended 30 June 2016			Change from 31 December 2016 to 31 December 2015			Change from 31 December 2015 to 31 December 2014		
	Increase/(decrease) Due to changes in			Increase/(decrease) Due to changes in			Increase/(decrease) Due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in thousands of TL)								
Funds from Interbank Money Market:									
TL	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—
Funds provided under repurchase agreements:									
TL	(7,042)	(5)	(7,047)	(3,769)	393	(3,376)	6,929	(583)	6,346
Foreign currency	—	—	—	—	—	—	—	—	—
Total	(7,042)	(5)	(7,047)	(3,769)	393	(3,376)	6,929	(583)	6,346
Borrowings:									
TL	2,680	3,378	6,058	—	(370)	(370)	—	527	527
Foreign currency	60,264	94,472	154,736	71,163	136,392	207,555	48,474	(11,415)	37,059
Total	60,797	99,997	160,794	71,351	135,834)	207,185	48,501	(10,915)	37,586
Debt securities in issue:									
TL	—	—	—	—	—	—	—	—	—
Foreign currency	49,972	4,951	54,923	111,611	(14,217)	97,394	92,828	12,362	105,190
Total	49,972	4,951	54,923	111,611	(14,217)	97,394	92,828	12,362	105,190
Total interest-earning liabilities:									
TL	(1,034)	45	(989)	(3,800)	54	(3,746)	7,304	(433)	6,871
Foreign currency	124,717	86,230	210,947	175,016	130,158	305,174	110,192	32,074	142,266
Total	128,057	81,901	209,958	180,937	120,491	301,428	115,104	34,033	149,137

Loan Portfolio

All of the Bank's loans are forms of export or project finance.

The following table sets forth the Bank's gross and net loans as at 31 December 2016, 2015 and 2014. The information set forth below has been derived from the IFRS Financial Statements.

	As at 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Short-term			
Financial institutions	4,560,094	3,866,424	3,875,800

	As at 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Export guaranteed loans	1,231,798	1,424,433	952,470
Specialised loans	184,787	179,416	195,078
Discount loans	32,666,389	22,393,234	19,290,780
Other guaranteed loans	502	196	153
Total	38,643,570	27,863,703	24,314,281
Medium- and long-term			
Financial institutions	2,077,415	1,414,854	490,631
Export guaranteed loans	14,469,314	9,539,491	5,270,782
Foreign country loans (political risks)	1,734,453	756,416	394,072
Specialised loans	453,389	400,847	193,417
Export guaranteed investment loans	3,392,925	2,710,263	886,946
Funds sourced loans	0	0	—
Other	576,780	415,335	299,582
Total	22,704,276	15,237,206	7,535,430
Performing loans	61,347,846	43,100,910	31,849,711
Loans under close monitoring	232,830	81,812	20,766
Impaired loans and advances	233,087	131,688	127,478
Gross loans	61,813,763	43,314,410	31,997,955
Allowance for loan losses	(272,766)	(260,670)	(256,460)
Net loans and advances to customers	61,540,997	43,053,740	31,741,495

Distribution of Loans by Sector

The following table sets forth a summary of the Bank's net risk profile (outstanding balances, including non-cash loans) by principal category of economic sector based on outstanding balances as at 31 December 2016, 2015 and 2014.

	As at 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Sectors and third parties			
Agriculture	7,044,717	6,610,890	4,284,746
Farming and raising livestock	5,066,318	5,986,941	3,723,391
Forestry	1,191,712	623,949	561,355

	As at 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Fishery	786,687	—	—
Industry	37,732,579	43,155,780	26,443,017
Mining and Quarry Sector	—	1,077,090	1,491,652
Manufacturing Industry	34,599,127	42,078,690	24,951,365
Electric, Gas and Water	3,133,452	—	—
Construction	6,178,695	658,379	307,956
Services	29,083,063	164,402	1,066,464
Wholesale and Retail Trade	4,239,344	—	—
Hotel and Restaurant Services	—	—	—
Transportation and Telecommunication	10,125,638	—	—
Financial Institutions	14,441,799	164,402	1,066,464
Real Estate and Leasing Services	—	—	—
Training Services	—	—	—
Health and Social Services	276,282	—	—
Other	2,034,045	7,429,297	3,782,404
Total	92,073,099	58,018,748	35,884,587

Distribution of Loans by Type of Borrower

The following table sets forth the breakdown of the Bank's gross loans by type of borrower and the percentage contribution to the total loan portfolio as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

			As at 31 December					
	As at 30 June 2017		**2016**		**2015**		**2014**	
	(in thousands of TL, except percentages)							
Public sector loans[1]	3,924,592	6%	3,707,478	6%	2,150,857	5%	1,513,444	5%
Private sector loans	62,126,581	94%	57,812,983	94%	41,008,269	95%	30,376,420	95%
Total	66,051,173	100%	61,520,461	100%	43,159,126	100%	31,889,864	100%

Note:

(1) Includes country loans granted to foreign government entities amounting to TL 1,876 million as at 30 June 2017 (31 December 2016: TL 1,614.9 million).

As at 30 June 2017 and 31 December 2016, 90 and 89 per cent. of the Bank's gross loans were extended to corporate customers other than financial institutions and guaranteed by commercial banks (3 per cent. of these loans as at each respective date were extended to foreign financial institutions), and 10 and 11 per cent. were extended to domestic financial institutions, respectively.

Maturity Profile of the Bank's Loan Portfolio

The following table sets forth the maturity analysis of loans as at 30 June 2016 and as at 31 December 2015, 2014 and 2013.

	Up to one month	One to three months	3-12 months	1-5 years	Over 5 years	Total
			(in thousands of TL)			
30 June 2017	4,106,679	9,892,734	34,787,824	16,300,585	963,351	66,146,774
31 December 2016	7,568,774	10,987,395	27,633,671	14,468,494	862,127	61,609,764
31 December 2015	3,699,937	7,744,013	20,309,902	11,276,158	129,116	43,159,126
31 December 2014	5,490,584	7,543,809	13,576,549	5,205,120	73,802	31,889,864

Geographical Distribution of the Bank's Loan Portfolio

The following table sets forth the amount of the Bank's net loans by geographical distribution within Turkey's regions based on the location of the exporter's business as at 31 December 2016, 2015 and 2014.

	As at 31 December					
	2016		2015		2014	
	(in thousands of TL, except percentages)					
Istanbul Region	33,965,683	55%	23,504,063	55%	17,375,967	54%
Southeastern Anatolia Region	2,015,559	3%	1,906,027	4%	1,597,115	5%
Marmara Region (except Istanbul)	6,808,570	11%	3,600,492	8%	2,558,780	8%
Black Sea Region	1,189,941	2%	1,024,751	2%	787,487	2%
Central Anatolia Region	6,302,052	10%	4,955,322	12%	3,256,550	10%
Mediterranean Region	4,020,659	7%	3,269,715	8%	2,133,796	7%
Aegean Region	7,091,780	12%	4,772,498	11%	3,992,671	13%
Eastern Anatolia Region	215,521	0%	126,258	0%	187,494	1%
Total Loans	61,609,764	100%	43,159,126	100%	31,889,864	100%

Non-Performing Loans and Loans Under Close Monitoring

The following table sets forth information on the Bank's impaired loans (non-performing loans) and other loans under close monitoring as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December		
		2016	2015	2014
		(in thousands of TL)		
Loans under close monitoring[1]	525,117	232,830	81,812	20,878
Impaired loans (non-performing loans)	273,461	233,087	131,688	127,478

Note:

(1) Loans under close monitoring include not only loans that are past due by one to 90 days (amounting to TL 14,337 thousand as at 30 June 2017) but also loans that are not yet due that have been extended to customers with other past due loans (amounting to TL 510,780 thousand as at 30 June 2017).

The following table sets forth the breakdown of the Bank's loans and advances that are past due but not impaired as at 30 June 2017 and 31 December 2016, 2015 and 2014. The information set forth below has been derived from the IFRS Financial Statements.

	As at 30 June	As at 31 December		
	2017	2016	2015	2014
		(in thousands of TL)		
Past due up to 30 days	10,210	—	48,298	5,216
Past due 30-60 days	720	603	—	3,380
Past due 60-90 days	3,407	—	4,143	3,259
Past due 90 days – one year	—	—	—	13,331
Past due over one year	—	—	—	6,639
Total	14,337	603	52,441	31,825

Changes in Credit Provisions

The following table sets forth details of movements in the Bank's general and special provisions for loan losses for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	2015	2014
		(in thousands of TL)	
Opening balance	261,902	257,692	247,692
Provision amounts allocated within the period	20,627	9,228	16,834
Cancellation of provisions	(8,531)	(5,018)	(6,834)
Other adjustments	—	—	—
Ending balance	273,998	261,902	257,692

Securities Portfolio

The following table sets forth a summary of the Bank's securities portfolio (excluding available-for-sale securities) as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June	As at 31 December		
	2017	2016	2015	2014
		(in thousands of TL)		
Held-to-Maturity Securities				

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Turkish Government bonds	246,055	98,549	255,968	249,381
Turkish Treasury bills	—	—	—	—
Turkish Eurobonds..	—	—	—	47,573
Total held-to-maturity securities	246,055	98,549	255,968	296,954
Trading Securities				
Turkish Government bonds	11,060	10,678	10,593	42,599
Turkish Treasury bills	—	—	—	—
Turkish Eurobonds..	—	—	—	8,684
Total trading securities	11,060	10,678	10,593	51,283

As at 30 June 2017, government bonds and treasury bills constituting held-to-maturity securities and trading securities amounting to TL 162.3 million (compared to TL 66.4 million as at 31 December 2016) were subject to repurchase transactions.

As at 30 June 2017, government bonds and treasury bills constituting held-to-maturity securities and trading securities amounting to TL 68.4 million (compared to TL 15.6 million as at 31 December 2016) had been pledged as collateral with the Central Bank and Istanbul Stock Exchange-Settlement and Custody Bank.

The following table sets forth a breakdown of the Bank's available-for-sale securities as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Equity securities				
Listed	23,086	16,245	13,681	16,168
Unlisted	5,056	4,879	4,370	4,370
Total available-for-sale-securities	28,142	21,124	18,051	20,538

As at 30 June 2017, the Bank held listed equity securities consisting of a 9.8 per cent. share of Garanti Faktoring Hizmetleri A.Ş. and unlisted equity securities consisting of a 1.54 per cent. share of KGF with an aggregate carrying amount of TL 28,142 million.

Maturity Distribution

The following tables set forth the maturity analysis of the Bank's held-to-maturity and trading securities portfolio (excluding available-for-sale securities) as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at 30 June 2017				
	Up to three months	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
	(in thousands of TL)				
Turkish Government bonds					
Fixed	—	18,585	55,199	8,994	82,779
Floating	13,483	29,168	—	—	42,651
Zero Rate	—	36,646	25,618	—	62,264
Treasury Bill	—	69,421	—	—	69,421
Turkish Eurobonds	—	—	—	—	—
Total	13,483	153,820	80,818	8,994	257,116

	As at 31 December 2016				
	Up to three months	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
	(in thousands of TL)				
Turkish Government bonds					
Fixed	—	10,020	2,051	8,627	20,698
Floating	45,820	42,709	—	—	88,529
Zero Rate	—	—	—	—	—
Treasury Bill	—	—	—	—	—
Turkish Eurobonds	—	—	—	—	—
Total	45,820	52,729	2,051	8,627	109,227

	As at 31 December 2015				
	Up to three months	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
	(in thousands of TL)				
Turkish Government bonds					
Fixed	—	34,637	11,898	8,630	55,168
Floating	—	—	88,701	—	88,701
Zero Rate	—	122,773	—	—	122,773
Turkish Eurobonds	—	—	—	—	—
Total	—	157,410	100,599	8,630	266,642

	As at 31 December 2014				
	Up to three months	Three months to one year	One year to five years	Over five years	Total
	(in thousands of TL)				
Turkish Government bonds					
Fixed	5,000	64,900	5,000	10,000	84,900
Floating	—	—	86,374	—	86,374
Zero Rate	—	124,739	—	—	124,739
Turkish Eurobonds	20,000	—	—	3,000	23,000
Total	25,000	189,639	91,374	13,000	319,013

Risk Concentration

Cash Loans

The following tables set forth the Bank's exposure to customers (identified by sector and/or type) with the twenty largest balances of outstanding cash loans, which in the aggregate constituted 26 per cent., 26 per cent., 22 per cent. and 22 per cent. of the Bank's net loans as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively.

	As at 30 June 2017
	(in thousands of TL)
Borrower/Debtor	
Airline Industry	4,979,618
International Credits – Railroad Company	1,055,520
Turkish Financial Institution (State Bank)	933,507
Turkish Financial Institution (Private Bank)	906,090
Turkish Financial Institution (Private Bank)	812,327
Turkish Financial Institution (State Bank)	757,909
Turkish Financial Institution (Private Bank)	642,916
Foreign Trade Company	595,562
Iron and Steel Industry	568,515
Motor Vehicles Industry	559,629
Foreign Trade Company	538,597
Iron and Steel Industry	510,804
Iron and Steel Industry	491,809

	As at 30 June 2017
	(in thousands of TL)
Foreign Trade Company	478,276
Refining Industry	466,888
Machinery and Electrical Appliances	460,962
Turkish Financial Institution (Private Bank)	441,244
Iron and Steel Industry	434,536
Food and Agriculture	417,913
Total	17,139,456

	As at 31 December 2016
	(in thousands of TL)
Borrower/Debtor	
Airline Industry	4,754,471
International Credits – Railroad Company	1,014,137
Turkish Financial Institution (State Bank)	910,518
Turkish Financial Institution (Private Bank)	827,174
Turkish Financial Institution (Private Bank)	743,719
Turkish Financial Institution (State Bank)	704,652
Iron and Steel Industry	660,895
Motor Vehicles Industry	657,131
Airline Industry	595,548
Turkish Financial Institution (Private Bank)	574,046
Foreign Trade Company	569,770
Foreign Trade Company	528,872
Iron and Steel Industry	528,404
Foreign Trade Company	508,831
Iron and Steel Industry	492,452
Machinery and Electrical Appliances	464,564
Machinery and Electrical Appliances	457,579
Iron and Steel Industry	453,388
Refining Industry	408,230
Food and Agriculture	401,884

	As at 31 December 2016
	(in thousands of TL)
Total	16,256,265

	As at 31 December 2015
	(in thousands of TL)
Borrower/Debtor	
Airline Industry	727,402
Turkish Financial Institution (State Bank)	706,814
Turkish Financial Institution (Private Bank)	629,605
Iron and Steel Industry	555,901
Rubber and Plastic Industry	521,934
Foreign Trade Company	521,484
Turkish Financial Institution (State Bank)	480,157
Turkish Financial Institution (Private Bank)	472,685
Foreign Trade Company	470,959
Iron and Steel Industry	451,929
Foreign Trade Company	447,661
Motor Vehicles Industry	444,706
Turkish Financial Institution (Private Bank)	433,977
Iron and Steel Industry	397,572
Food and Agriculture	388,394
Machinery and Electrical Appliances	386,532
Iron and Steel Industry	334,591
Turkish Financial Institution (Private Bank)	331,429
Textile and Ready to Wear	324,828
Chemistry	319,389
Total	9,347,949

	As at 31 December 2014
	(in thousands of TL)
Borrower/Debtor	
Turkish Financial Institution (State Bank)	545,009
Turkish Financial Institution (Private Bank)	519,039
Foreign Trade Company	502,307
Foreign Trade Company	406,565
Machinery and Electrical Appliances	402,752
Rubber and Plastic Industry	386,848
Motor Vehicles Industry	383,692
Turkish Financial Institution (Private Bank)	358,252
Turkish Financial Institution (State Bank)	340,823
Turkish Financial Institution (Private Bank)	336,548
Iron and Steel Industry	336,457
Iron and Steel Industry	331,097
Foreign Trade Company	323,393
Turkish Financial Institution (Private Bank)	298,554
Motor Vehicles Industry	285,209
Iron and Steel Industry	278,683
Turkish Financial Institution (Private Bank)	276,103
Foreign Trade Company	275,389
Turkish Financial Institution (Private Bank)	269,419
Iron and Steel Industry	256,410
Total	7,112,547

Export Credit Insurance

The following table sets forth the twenty countries, buyers in which represented the largest risk exposures under the Bank's export credit insurance programmes, which in the aggregate constituted 68 per cent., 70 per cent., 73 per cent. and 74 per cent. of the Bank's total insurance exposure as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively.

	As at 30 June 2017		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
Country			
Germany	—	116,116,269	116,115,269
England	—	102,395,534	102,395,534
Italy	—	78,212,012	78,212,012
U.S.A.	—	58,643,988	58,643,988
France	405,576	51,328,439	51,734,015
Spain	—	49,863,563	49,863,563
Switzerland	—	47,020,311	47,020,311
Romania	—	35,774,735	35,774,735
Israel	560,751	34,025,067	34,585,818
Egypt	1,072,907	32,771,103	33,844,009
Saudi Arabia	2,613,810	27,307,545	29,921,356
Poland	—	29,490,922	29,490,922
Holland	5,647	27,807,459	27,813,105
UAE	1,696,336	21,261,348	22,957,683
Belgium	—	20,854,102	20,854,102
Russia	—	20,456,502	20,456,502
Sweden	—	18,672,770	18,672,770
Morocco	—	16,858,278	16,858,278
Bulgaria	—	16,495,505	16,495,505
Pakistan	94,289	15,750,122	15,844,412
Total	6,449,316	821,104,572	827,553,888

Source: Internal accounts

	As at 31 December 2016		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
Country			
Germany	—	105,005,479	105,005,479
England	—	86,811,134	86,811,134
Italy	—	65,241,456	65,241,456
U.S.A.	—	50,172,796	50,172,796
Spain	—	46,658,606	46,658,606

	As at 31 December 2016		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
France	405,576	45,724,326	46,129,902
Romania	67,166	41,797,744	41,864,910
Switzerland	—	27,325,207	27,325,207
Egypt	1,088,012	25,956,323	27,044,335
Russia	3,208	26,725,872	26,729,081
Holland	423	25,081,019	25,081,442
İsrael	163,032	24,690,238	24,853,270
Poland	—	22,189,983	22,189,983
Saudi Arabia	23,745	18,824,993	18,848,738
Belgium	—	17,780,231	17,780,231
UAE	413,069	16,822,792	17,235,862
Sweden	—	17,032,343	17,032,343
Bulgaria	—	14,526,731	14,526,731
Morocco	—	13,262,776	13,262,776
Greece	—	11,895,615	11,895,615
Total	2,164,231	703,525,665	705,689,896

	As at 31 December 2015		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
Country			
Germany	9,059	94,938,163	94,938,163
England	—	90,576,350	90,576,350
Italy	—	61,756,729	61,756,729
U.S.A.	—	48,024,353	48,024,353
Spain	—	44,146,366	44,146,366
France	—	42,860,241	42,860,241
Switzerland	—	29,529,335	29,529,335
Holland	5,890	25,844,645	25,850,544
Israel	—	25,740,092	25,740,092
Egypt	799,442	23,258,624	24,058,065
Romania	—	23,118,436	23,118,436
Poland	—	20,284,139	20,284,139

	As at 31 December 2015		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
U.A.E	630,709	17,074,618	17,705,328
Belgium	—	16,030,704	16,030,704
Saudi Arabia	—	15,638,570	15,638,570
Russia	15,583	15,337,038	15,352,621
Sweden	—	15,120,737	15,120,737
Bulgaria	—	13,437,235	13,437,235
China	2,261,211	10,192,335	12,453,547
Austria	—	9,555,070	9,555,070
Total	3,721,845	642,463,780	646,185,685

	As at 31 December 2014		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
Country			
England	—	72,516,332	72,516,332
Germany	12,337	67,949,929	67,962,267
Italy	—	50,873,249	50,873,249
France	—	34,798,308	34,798,308
Spain	—	32,666,429	32,666,429
U.S.A.	—	29,846,577	29,846,577
Switzerland	—	22,337,418	22,337,418
Holland	—	17,896,152	17,896,152
Romania	—	16,578,146	16,578,146
Israel	336,049	16,102,875	16,438,925
Poland	—	13,490,754	13,490,754
Egypt	26,086	12,018,719	12,044,805
Bulgaria	—	11,638,854	11,638,854
Russia	18,382	11,526,521	11,544,904
Belgium	—	11,351,290	11,351,290
Saudi Arabia	—	11,038,734	11,038,734
Sweden	—	11,031,504	11,031,504
China	5,967,928	4,773,311	10,741,240

	As at 31 December 2014		
	Political Risk	**Commercial Risk**	**Risk Exposure**
		(USD)	
United Arab Emirates	398,800	8,778,191	9,176,992
Austria	—	7,828,879	7,828,879
Total	6,759,582	465,042,172	471,801,759

Source: Internal accounts

Return on Assets and Equity

The following table sets forth certain financial information for the Bank as at and for six months ended 30 June 2017 and 2016 and as at and for the years ended 31 December 2016, 2015 and 2014.

	As at or for the six months ended 30 June		As at or for the year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL, except percentages)				
Net profit	271,897	215,532	421,325	489,406	427,009
Average total assets	66,801,111	49,021,389	54,898,760	40,293,018	30,768,379
Average shareholders' equity	5,345,612	4,887,719	4,994,093	4,486,806	4,092,144
Return on average assets					
(Net profit/Average total assets)[1]	0.4%	0.4%	0.8%	1.2%	1.4%
Return on average equity					
(Net profit/Average equity) [1]	5.2%	4.5%	8.4%	11.4%	11.7%
Earnings per Share	0.0735	0.0583	0.1139	0.1958	0.1816
Equity to assets ratio					
(Average equity/Average total assets)	7.8%	9.4%	7.6%	11.1%	13.3%

Note:

(1) Ratios for the six months ended 30 June 2017 and 2016 are not annualised.

SELECTED FINANCIAL INFORMATION

Unless otherwise stated, the following tables set forth, for the periods and as at the dates indicated, selected financial data of the Bank derived from the BRSA Financial Statements (presented under BRSA Principles), which are incorporated by reference in this Prospectus as described under "*Documents Incorporated by Reference*".

Prospective investors should read the following information in conjunction with "*Presentation of Financial and Other Information*", "*Capitalisation*", as well as the BRSA Financial Statements.

Income Statement Data

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL)				
Interest income	973,276	741,593	1,643,054	1,193,866	962,847
Interest expense	(526,979)	(317,021)	(784,056)	(482,628)	(333,491)
Net interest income	446,297	424,572	858,998	711,238	629,356
Fees and commissions received	10,591	18,021	34,753	25,475	35,365
Fees and commissions paid	(9,307)	(8,115)	(20,897)	(11,677)	(5,586)
Net fees and commissions income/(expense)	1,284	9,906	13,856	13,798	29,779
Trading gains/(losses) on securities	(6)	9	9	(719)	(4,294)
Trading gains/(losses) on derivative financial assets	(523,471)	(186,857)	662,142	556,359	41,309
Foreign exchange gains/(losses)	445,687	25,527	(1,000,621)	(700,836)	(201,834)
Trading losses	(77,790)	(161,321)	(338,470)	(145,196)	(164,819)
Other operating income	99,180	66,879	142,282	125,702	124,812
Total operating income	468,971	340,036	676,666	705,542	619,128
Provision for loan losses and other receivables	(51,868)	(16,272)	(26,305)	(24,685)	(18,905)
Other operating expenses	(145,206)	(108,232)	(229,036)	(191,451)	(173,214)
Net profit for the period	271,897	215,532	421,325	489,406	427,009

Balance Sheet Data

	As at 30 June 2017	As at 31 December		
		2016	**2015**	**2014**
		(in thousands of TL)		
Assets				
Cash and balances with Central Bank	562,345	370,991	1,227	289
Financial assets at fair value through profit/loss (net)	20,721	129,281	14,305	71,924
Banks	2,342,158	2,518,048	164,402	991,359
Money markets	286,136	368,160	—	75,105

	As at 30 June 2017	As at 31 December 2016	2015	2014
		(in thousands of TL)		
Available-for-sale financial assets (net)	28,142	21,124	18,051	20,538
Loans and advances	66,146,774	61,609,764	43,159,126	31,889,864
Held-to-maturity securities (net)	246,055	98,549	255,968	296,954
Hedging and derivative financial assets	76,041	460,311	105,138	91,602
Property and equipment (net)	6,076	7,404	13,189	17,766
Intangible assets	4,005	2,759	2,230	1,875
Other assets	976,831	2,687,592	704,159	285,001
Total assets	70,697,568	68,276,314	44,437,795	33,742,277
Liabilities				
Trading derivative financial liabilities	204,504	41,322	635	2,260
Borrowings	55,572,644	51,718,845	32,988,250	24,251,343
Money markets	160,000	69,000	200,000	220,064
Marketable securities issued	7,871,159	7,827,323	5,088,218	4,054,191
Funds	13	13	16	16
Miscellaneous payables	492,027	2,747,448	898,347	492,076
Other liabilities	346,116	194,346	87,680	65,215
Hedging derivative financial liabilities.	253,576	150,529	42,823	18,938
Provisions	253,197	230,229	223,922	182,768
Tax liability	9,607	8,240	5,608	4,682
Subordinated loans	58,874	88,285	121,591	135,809
Total liabilities	65,221,717	63,075,580	39,657,090	29,427,862
Shareholders' Equity				
Paid-in capital	3,700,000	3,700,000	2,500,000	2,400,000
Capital reserves	16,423	10,043	607,325	609,591
Profit reserves	1,487,531	1,069,366	1,183,974	878,315
Profit or loss	271,897	421,325	489,406	427,009
Total equity	5,475,851	5,200,734	4,780,705	4,314,915
Total liabilities and equity	70,697,568	68,276,314	44,437,795	33,742,277

Cash Flow Statement Data

	Six months ended 30 June 2017	2016	Year ended 31 December 2016	2015	2014
		(in thousands of TL)			
Net cash provided from banking operations	178,547	485,296	904,495	(899,161)	(982,287)
Net cash provided from investing activities	(146,716)	(19,445)	155,280	49,293	(2,998)
Net cash provided from financing activities	(248,935)	1,416,521	1,487,164	(60,096)	1,004,981
Effects of change in foreign exchange rate on cash and cash equivalents	150,544	(21,122)	544,631	9,662	26,910

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in thousands of TL)				
Cash and cash equivalents at the beginning of the period	3,257,199	165,629	165,629	1,065,931	1,019,325
Cash and cash equivalents at the end of the period	3,190,639	2,026,879	3,257,199	165,629	1,065,931

Key Ratios

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(in percentages)				
Average liquid assets/Average total assets[(1)]	4.4	3.2	4.4	2.3	4.3
Average liquid assets/Average short-term liabilities[(2)]	7.59	5.15	7.16	3.4	6.2
Return on average assets[(3)]	0.4	0.4	0.8	1.2	1.4
Return on average equity[(4)]	5.2	4.5	8.4	11.4	11.7
Equity to assets ratio[(5)]	7.8	9.4	7.6	11.2	13.3
Impaired (non-performing) loans and advances to customers/Gross loans and advances to customers[(6)]	0.4	0.3	0.4	0.3	0.4
Provisions for impaired (non-performing) loans/Impaired (non-performing) loans[(7)]	65	100	62	100	100

Source: Statutory Financial Statements

Notes:

(1) In this table, average liquid assets, average total assets, average short-term liabilities and average equity were each calculated on a monthly basis.

(2) Liquid assets consists of cash and due from banks, money market placements, financial assets held for trading and financial assets available for sale.

(3) Return on average assets is calculated as net profit for the period divided by average total assets for the period.

(4) Return on average equity is calculated as net profit for the period divided by average equity for the period.

(5) Equity to assets ratio represents average equity for the period divided by average total assets for the period.

(6) Non-performing loans/gross loans and advances ratio derived from the Bank's BRSA Financial Statements.

(7) Provisions for non-performing loans/non-performing loans ratio derived from the Bank's BRSA Financial Statements.

BUSINESS

Introduction

The Bank, which is organised as a joint stock company, is the official export credit agency of Turkey. As set forth in Cabinet Decree No. 2013/4286 of 28 January 2013 (the "Decree"), which replaced Cabinet Decree No. 87/11914, the Bank was organised for the purposes of "the improvement of exports, diversification of exported goods and services, causing exportation to enter into new markets, increasing share of exporters in international trade, extending them such support in their ventures as shall be necessary, providing exporters and overseas contractors with support for increasing the competitiveness and security in international markets and supporting and encouraging overseas investments and production and sale of export-oriented capital goods". In order to advance these aims, the Bank provides loans, guarantees and insurance, principally to Turkish exporters. The Bank is wholly owned by the Turkish Undersecretariat of Treasury (the "Undersecretariat of Treasury"). The Bank's chartering law (no. 3332) provides that the Undersecretariat of Treasury is required to cover losses incurred by the Bank in its credit, insurance and guarantee transactions arising from political risk (such as transfer restrictions, foreign exchange restrictions or war), although the Bank bears all commercial risk in connection with such transactions. The Bank operates out of its headquarters in Istanbul and seven branches located in Ankara, Izmir, Gaziantep, Bursa, Denizli, Adana and Istanbul (European Side). The Bank also has five liaison representative offices located in Samsun, Trabzon, the Kemalpaşa Organised Industrial Zone, the Aegean Region Chamber of Industry and the Manisa Organised Industrial Zone. The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2017. See "— *Strategy — Support diversification of export markets and products*". The Bank's registered address is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 (216) 666 55 00.

In the six months ended 30 June 2017, based on aggregate Turkish exports of U.S.$77.5 billion (as reported by the Turkish Statistical Institute), the Bank provided financial support for 24.2 per cent. of total Turkish exports. In the year ended 31 December 2016, based on aggregate Turkish exports of U.S.$142.6 billion (as reported by the Turkish Statistical Institute), it provided financial support for 23.1 per cent. of total Turkish exports, as compared to 21.0 per cent. of aggregate exports in the year ended 31 December 2015. Although there was a decline in exports in 2009 due to the global financial crisis, in the past nine years Turkish exports have grown significantly from an aggregate of U.S.$107.3 billion in 2007 to U.S.$142.6 billion in 2016.

The Bank provides four main export finance related products: short-term credits, medium and long-term credits, guarantees and insurance. Its most significant product is short-term loans, which as at 30 June 2017 accounted for 62 per cent. of its total outstanding loans in terms of outstanding balance (and 63 per cent. of its total outstanding loans as at 31 December 2016). As at 30 June 2017, the Central Bank's rediscount loans accounted for 52 per cent. of the Bank's total loans. The metal sector accounted for the largest proportion by volume of total loans at 18 per cent., with the logistics and transportation sector accounting for 17 per cent., the textile, ready to wear and leather sector accounting for 14 per cent., the wholesale trade and services sector accounting for 12 per cent., the food, agriculture and livestock sector accounting for 7 per cent., the chemicals and plastics sector accounting for 6 per cent. and the machinery and electronic appliances sector accounting for 5 per cent. of the total, in each case for the six months ended 30 June 2017. However, the Bank's strategy over the medium to long term is to shift from short-term lending to a mix of short-term and medium- and long-term lending as well as focusing on buyer credit programmes in international markets. Additionally, since 2011, the Bank has offered foreign currency options to assist Turkish exporters with managing exchange rate risks. The Bank is an important instrument in the implementation of Turkey's economic policy, which since 1980 has focused on export-led economic growth, rather than focusing on maximising profits. The Undersecretariat of Treasury as sole shareholder of the Bank can exercise its

influence over the Bank through its control of the Bank's Supreme Advisory and Credit Guidance Committee and through the appointment of the Bank's Board of Directors. See *"Risk Factors—Risk factors relating to the Bank — The Bank receives periodic contributions of capital and certain other transfers of monies from the Treasury to meet its funding needs"*. This Committee approves the Bank's annual programmes, as well as the Bank's general strategy, targeted annual volumes and key objectives for each year.

As at 31 December 2016, the Bank provided U.S.$33.0 billion in financial support to the export sector, consisting of U.S.$22.0 billion in the form of cash loans and U.S.$11.0 billion in the form of insurance and guarantees, which is equal to 23.1 per cent. of the U.S.$142.6 billion of total exports for 2016 (as reported by the Turkish Statistical Institute). The Bank's 2017 Annual Programme, which was approved in March 2017, sets a target for the Bank to provide approximately U.S.$39.8 billion in financial support to the export sector through cash loans and insurance and guarantees. As at 30 June 2017, the Bank had provided U.S.$18.7 billion in financial support (U.S.$11.7 billion in cash and U.S.$7.0 billion in non-cash support) to the export sector. Based on this performance, the Bank estimates that it will provide U.S.$39.8 billion in financial support for Turkish exports in the year ended 31 December 2017, which, based on targeted Turkish exports of U.S.$153.3 billion (according to the Medium-Term Programme for 2017-2019 prepared by the Turkish Ministry of Development and announced on 6 October 2016), would amount to approximately 25.9 per cent. of total Turkish exports, as compared to the Bank's 23.1 per cent. actual share of total Turkish exports in 2016.

The long-term debt of the Bank has been rated by Moody's and Standard & Poor's since 1997 and by Fitch since 2013. The Bank's foreign and local currency long-term debt ratings assigned by Standard & Poor's are BB and BB+, respectively, with "negative" outlook, which are the same as those of the Undersecretariat of Treasury. On 26 September 2016, Moody's downgraded the Bank's foreign currency issuer and long-term senior unsecured debt ratings to Ba1 from Baa3, and on 20 March 2017 the outlook changed to "negative" from "stable". On 16 February 2017, Fitch downgraded the foreign currency issuer and long-term senior unsecured debt rating of the Bank from BBB-, with a "negative" outlook, to BB+ , with a "stable" outlook.

Strengths

The Bank believes its principal strengths and competitive advantages include the following:

State-ownership and support

The Bank is wholly owned by the state of Turkey. The Undersecretariat of Treasury currently owns 100 per cent. of the Bank's shares. Additionally, the state provides support to the Bank in a variety of ways. The government has in the past regularly injected capital into the Bank, either directly to paid-in capital or to specific funds that are managed by the Bank and which are incorporated into its total equity. The zero cost of funding of this capital allows the Bank to provide exporters with Turkish Lira-denominated credit at below market rates. The state also provides indemnification for political risk and guarantees the ultimate recovery of losses in the case of credits granted by the Bank to certain countries deemed strategically important by the Turkish government. This has become more important as the Bank expands its international loans programme into new markets for Turkish exports. In addition, the Bank is currently exempt from corporate income tax, stamp tax and Central Bank reserve requirements. Such government support increases the Bank's competitiveness in the Turkish export finance market and helps to maintain its well-established position as the leader in the Turkish export finance market (source: the Bank's Financial Statements and BRSA website, 2017).

Leading provider of export finance in Turkey

The Bank is the leading provider of export finance, having provided financial support for 23.1 per cent. of Turkish exports in 2016 through its export finance-related products. As the Turkish economy and exports

grow, the Bank expects further opportunities to grow its loan portfolio. Since the 1980s, successive Turkish governments have focused on export-led economic growth and as Turkey's official export credit agency, the Bank has played a central role in that government policy. The Bank expects it will continue to be a major instrument for the government's policies as Turkey focuses on improving its current account balance.

Diverse range of products

The Bank's export finance-related programmes include not only export credit but also export credit insurance and international loan programmes and guarantee programmes. Through its export credit programmes, the Bank offers both short-term and medium- to long-term credit to exporters. The Bank also offers specific credit programmes for small and medium enterprises, businesses located in priority investment areas, shipbuilders and tourism companies, amongst others. The Bank is able to create tailored products to meet new demand or implement new strategies. For example, the Bank believes that, in the long term, overseas construction and investment will play an important role in increasing Turkey's foreign currency earnings, accordingly it has developed a special programme to provide assistance for the construction of department stores overseas which are also intended to support exports of consumer goods.

Strong financial position

The Bank maintains a high capital adequacy ratio, driven by the capital contributions from the Turkish Treasury and retained earnings. Under Basel II standards, the Bank's capital adequacy ratio reported to BRSA was 15.09 per cent. as at 30 June 2017. Additionally, the Bank seeks to mitigate credit risk by taking on only Turkish commercial bank risk and no exporter risk through its indirect lending programme for short-term credit, which is one of the Bank's largest programmes, and does not extend new loans unless collateralised (with a Turkish commercial bank guarantee or otherwise). The Bank also requires Turkish commercial bank guarantees under many of its direct lending programmes, resulting in a low level of impaired loans. With respect to provisioning policies, the Bank pursues a conservative approach.

Strategy

The Bank's overall strategic goal is to augment the export capacity of high quality Turkish products and services and continue to support Turkish exporters as Turkey's official export credit agency. It intends to achieve this goal by continuing to implement the following key strategies:

Substantially grow cash and non-cash lending; increase share of medium and long-term programmes

Currently, the Bank is principally engaged in providing short-term export financing to Turkish exporters. Going forward, the Bank plans to gradually change the focus of its activities to include a greater proportion of medium- and long-term cash and non-cash loan programmes and guarantees and substantially increase its overall volume of activity. In the future, the Bank plans to leave short-term export financing to commercial banks and to focus more on medium-term loan facilities, as well as guarantees and insurance activities that generate fees and commissions.

Support diversification of export markets and products

The Bank is focused on achieving product and country diversification of Turkish exports as well as increasing the share of Turkish exporters in international trade. Other objectives include developing new export markets through international loans credit and similar programmes and providing support and risk management options for Turkish exporters, investors and overseas contractors. The Bank seeks to diversify and expand its activities in order to encourage Turkish exports and economic growth as set forth in the Turkish government's economic policy. The Bank's overall volume of financial support to Turkish exporters through its credit, insurance and guarantee programmes was U.S.$33.0 billion as at 31 December 2016. In 2017, the Bank

estimates that it will provide U.S.$39.8 billion in financial support to Turkish exporters through its credit, insurance and guarantee programmes.

In furtherance of this strategy, the Bank intends to continue gradually to expand its branch network in Turkey by opening additional branches in Konya, Kayseri, Antalya and Istanbul (Anatolian Side) in 2017. The Bank is also continuing to expand its direct lending to exporters, as well as its insurance and other programmes, in order to support Turkish exporters.

Alignment with Government development strategy

The Turkish government's Medium-Term Programme for 2017-2019 seeks to ensure sustainable growth, reduce the current account deficit predominantly through foreign direct investments, and improve the international investment environment, increase employment and achieve and maintain a single-digit inflation rate. The Bank's strategies take into account such goals and the Bank aims to contribute to building a positive image of Turkish products in the international markets by providing credit programmes that meet exporters' needs. The Bank also provides certain credit programmes and benefits that are targeted at assisting small and medium enterprises and government-designated priority investment regions. In addition, the Bank places importance on its International Loans Programme (a buyer's credit/guarantee scheme) with key trading partners in Asia and Africa.

History

The Bank was incorporated in its present form on 21 August 1987 by the Previous Decree, which applied Law No. 3332 of the Republic (the "Law"). The Law and the Previous Decree provided for the reorganisation of the Bank's predecessor, the State Investment Bank (the "SIB"), as a joint stock company with limited liability. The SIB had been established in 1964 and attached to the Ministry of Finance under Law No. 441, and had been responsible for lending operations to Turkish state economic enterprises. Following the Previous Decree, the SIB officially changed its name to Türkiye İhracat Kredi Bankası A.S. on 21 August 1987.

On 28 January 2013, the Decree entered into force, repealing the Previous Decree, primarily due to the need to conform with the new Turkish Commercial Code (Law No. 6102) (the "TCC"). The Decree regulates and determines, among others, the title, purpose, area of activity and capital structure, principles regarding the organisation, appointment and authorisation procedures of the governing bodies and auditing and dissolution of the Bank. For example, under the Degree, the Bank was authorised to broaden its activities by providing domestic insurance and reinsurance for Turkish exporters and providing financial support for research and development, trademark, patent and technology alongside acquisitions of technical cooperation services. The Decree also provided that the Bank fall into the purview of the Law on the Validity and Enforcement of the Turkish Commercial Code (Law No. 6103), which requires joint stock companies to amend their articles of associations so that they comply with the TCC. As a joint stock company, the Bank amended its articles of associations with respect to its scope of activity, capital structure, Board of Directors and various committees.

Ownership and Capital Structure

Under the Previous Decree, shares of the Bank were divided into two classes: 51 per cent. (A) group shares and 49 per cent. (B) group shares, both of which were held by the Treasury. The Previous Decree also required the Undersecretariat of Treasury to hold the (A) group shares representing 51 per cent. of the Bank's total shares, while the (B) group shares were transferable to banks, financial institutions or insurance companies. Despite the existence of (B) group shares, no shares were transferred or sold to third parties and the Bank has been wholly owned by the Undersecretariat of Treasury since its foundation in 1987. Pursuant to the constitution of Turkey, any transfer or sale of the Bank's shares requires legislative approval by the Turkish Grand National Assembly. The Decree, which became effective 28 January 2013, unified the two

classes of shares into one class and removed the requirement for the Undersecretariat of Treasury to hold 51 per cent. of the shares of the Bank. The Decree's share transfer requirements are aligned with the transfer requirements of the Turkish constitution, which states that the Bank's shares are not transferable without legislative approval from the Turkish Grand National Assembly.

As at the date of this Prospectus, the Bank's paid-in share capital was TL 4.8 billion. At the Bank's Extraordinary General Assembly held on 12 January 2017, it was decided to apply the registered capital system in the Bank, under which the Board of Directors is now authorised to make capital increases up to TL 10 billion without requiring further General Assembly resolutions for each capital increase. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Shareholders' Equity"*.

Relationship with the Turkish State

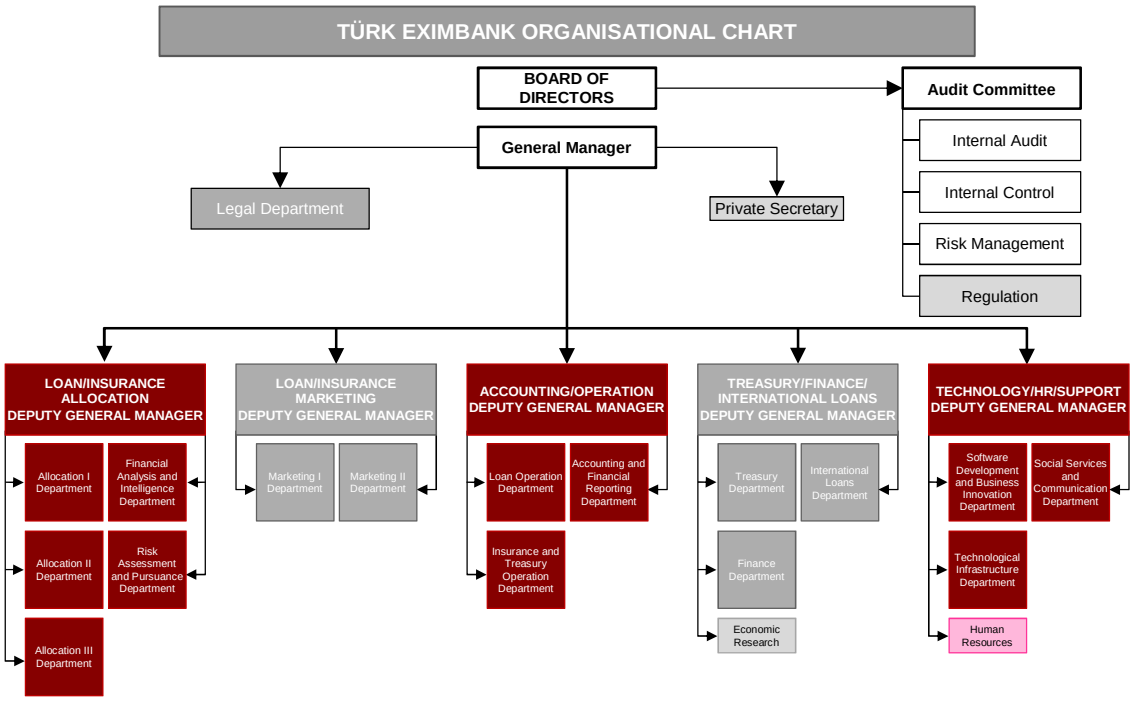
The Bank is a major instrument of Turkish government policy to promote Turkish exports and indirectly to bolster the Turkish economy. The Undersecretariat of Treasury has provided the Bank with regular capital contributions and other payments. As a state-owned bank, the Bank can take advantage of certain benefits such as exemption from corporate income tax and some of the rules and regulations of the BRSA. Since the Bank is wholly owned by the Treasury, the Bank is subject to the control of the state and each successive government. Additionally, the Bank must receive approval from the Undersecretariat of Treasury to enter into a foreign financing arrangement with a maturity of more than one year.

Under Article 4(C) of the Law, which established the Bank, the Treasury is obliged to meet any losses incurred by the Bank in its credit, insurance, and guarantee transactions as a result of political risks. The Bank has, generally, attempted to reschedule overdue loans due to political risk before making reimbursement claims from the Treasury. The Treasury must include the amount of any reimbursement claims from the Bank in the proposed budget for the following year and the amount may only be paid out after the budget is approved. As a result of the procedures for collecting on this indemnity in the event that a borrower fails to pay, the Bank may experience delays in payment as it must notify the Treasury of all loans that are past due and any relevant insurance or guarantees in September of each year.

Banking Activities

As part of its internal reorganisation in 2017, the Bank has moved from a product-based organisation to a process-based organisation. Under the newly established structure, the Bank's operations are split into five units: loan and insurance allocation; loan and insurance marketing; accounting and operations; treasury, finance and international loans and technology, HR and support. Each of the units is headed by a Deputy General Manager who reports directly to the General Manager.

The following chart shows the Bank's organisational structure as at the date of this Prospectus.



The Bank's principal services fall into a number of categories: export credits, which can be further categorised into short-term credits and medium- to long-term credits (including international loans), and insurance and guarantees.

While all Turkish companies are eligible for the Bank's services, priority is given to all credit applications from small and medium enterprises ("SMEs") and companies located in certain economically underdeveloped provinces located in the southern or south-eastern regions of Turkey which are designated as priority investment areas ("PIAs"). SMEs include small enterprises, defined as enterprises employing fewer than 250 persons, and medium enterprises, defined as enterprises employing fewer than 3,000 persons.

The following table sets forth a summary of the relative contributions to gross interest income by each of the Bank's main lending programmes for the years ended 31 December 2016, 2015 and 2014, respectively.

	For the year ended 31 December		
	2016	**2015**	**2014**
Short Term Loans			
Indirect Lending:			
Pre-Shipment Export Credits:			
TL.....	9.7%	14%	14%
FX	1.8%	3%	5%
Sub-Total.....	12%	17%	19%
Direct Lending:			
Foreign Trade Companies Export Credits:			
TL.....	0%	0%	0%

	For the year ended 31 December		
	2016	**2015**	**2014**
FX	0%	0%	0%
Total	0%	0%	0%
Pre-Export Credits:			
TL	4.4%	5.8%	3.3%
FX	0.1%	0.4%	0.7%
Sub-Total	4.5%	6.2%	4.0%
Special Credit Programmes:			
Short-Term Export Receivables Discount Programme.. ...	0%	0%	0.2%
Tourism Credit Programme:			
TL	0.32%	0.28%	0.2%
FX	0.01%	0.08%	0.2%
Sub-Total	0.33%	0.36%	0.4%
Rediscount Programme:			
TL	24.5%	19.7%	25%
FX	20.4%	20.6%	23%
Sub-Total	44.9%	40.3%	48%
Medium-and Long Term Loans			
International Loans	3.2%	1.7%	1%
Pre-Shipment Export Credits:			
TL	0.05%	0.1%	3.4%
FX	2.33%	1.5%	1.2%
Sub-Total	2.39%	1.6%	4.6%
Pre-Export Credits:			
TL	0%	0%	0.9%
FX	0.4%	0.3%	0.5%
Sub-Total	0.4%	0.3%	1.4%
Export Finance Intermediation Loan (EFIL-IV)	0.6%	0.9%	1.1%
Bridge Credit Programme for Overseas Contractor Services	1.6%	1.8%	1.6%

	For the year ended 31 December		
	2016	**2015**	**2014**
Other	33.2%	30.2%	18.7%
Total[1]	100%	100%	100%

Note:

(1) Includes only interest income earned by the Bank on loans.

The following table sets forth a summary of the relative contributions to fees and commissions and other operating income by each of the Bank's insurance and other related products or services for the years ended 31 December 2016, 2015 and 2014, respectively.

	For the year ended 31 December		
	2016	**2015**	**2014**
Fees and Commissions			
International Loans	20%	18%	24%
Commissions from reinsurance of insurance facilities[1]	13%	16%	15%
Short-term export credit insurance premiums[2]	60%	63%	57%
Income from banking services	0.5%	1%	3%
Other[3]	7%	2%	1%
Total commissions and revenues received	100%	100%	100%

Notes:

(1) Commissions paid back to the Bank by reinsurers at the year end and recorded as other operating income in the BRSA Financial Statements.

(2) Fees received from insurance policies issued by the Bank and recorded as other operating income in the BRSA Financial Statements.

(3) This item refers to the Credit Limit Appeal Fee and Collections from Claims Paid.

The table set forth below shows the breakdown of the outstanding balances and the proportion of the Bank's total performing loan portfolio, by short-term and medium- and long-term loans, as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December					
	2016		**2015**		**2014**	
	(in thousands of TL, except percentages)					
Short-term loans	38,607,354	62.8%	27,863,867	64.6%	24,332,595	76.3%
Medium and long-term loans	22,913,107	37.2%	15,295,259	35.4%	7,557,269	23.7%
Total performing loans	61,520,461	100%	43,159,126	100%	31,889,864	100%

Short-Term Export Credits

Loans under the Bank's short-term export credit programmes accounted for, in the aggregate, 62 per cent., 63 per cent., 65 per cent. and 76 per cent. of its total loans as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively. Credits with a maturity of up to 360 days are classified as short-term export credits whereas credits up to 540 or more days are classified as medium- and long-term credits. The Bank's main short-term export lending programmes are outlined as follows:

Indirect Lending

- Pre-Shipment Export Credit Programmes
  - Pre-Shipment Export Credit Programmes - Turkish Lira ("PSEC-TL")
    - PSEC-Priority Investment Areas ("PSEC-PIA")
  - Pre-Shipment Export Credit Programme—Foreign Currency ("PSEC-FX")
    - PSEC-Free Trade Zones ("PSEC-FTZ")
    - Participation Banks Pre-Shipment Foreign Currency Export Credit Programme

Direct Lending

- Foreign Trade Companies Short-Term Export Credits Programme
  - Foreign Trade Companies Turkish Lira Credit Programme
  - Foreign Trade Companies Foreign Currency Credit Programme
- Pre-Export Credit Programmes
  - Pre-Export Turkish Lira Credit Programme
  - Pre-Export Foreign Currency Credit Programme
  - Free Trade Zones Pre-Export Foreign Currency Credit Programme
  - Pre-Export Turkish Lira Credit Programme for SMEs
  - Pre-Export Foreign Currency Credit Programme for SMEs
- Special Credit Programmes
  - Specific Rediscount Credit Programme
  - Post Shipment Rediscount Credit Programme
  - Rediscount Credit Programme
  - Tourism Credit Programme
  - International Transportation Marketing Credit Programme
  - Credit Programme for Participating in Overseas Trade Fairs

The following table sets forth the amount of the outstanding balance for each of the Bank's short-term loan products and its proportion of the total outstanding loan balance as at 31 December 2016, 2015 and 2014:

	As at 31 December					
	2016		**2015**		**2014**	
	(in thousands of TL, except percentages)					
Pre-Shipment Export Credits-TL	2,309,379	3.8%	2,346,803	5.4%	2,301,058	7.2%
Pre-Shipment Export Credits-FX	2,250,715	3.7%	1,519,622	3.5%	1,574,945	4.9%
Foreign Trade Companies-TL	—	—	—	—	—	—
Short-term Export Credit Programme-TL	—	—	—	—	—	—
Foreign Trade Companies-FX	—	—	—	—	—	—
Short-term Export Credit Programme-FX	—	—	24,049	0.1%	—	—
Pre-Export Credits Programme-TL	980,887	1.6%	1,110,387	2.6%	671,728	2.1%
Pre-Export Credits Programme-FX	64,663	0.1%	135,123	0.3%	231,113	0.7%
Tourism Credit Programme-TL	86,327	0.1%	63,274	0.1%	31,143	0.1%
Tourism Credit Programme-FX	5,614	—	16,845	—	90,687	0.3%
Post-Shipment Rediscount Credit Programme	698,008	1.1%	232,437	0.5%	173,801	0.5%
Foreign Currency Earning Rediscount Credits	5,815,561	9.5%	934,472	2.2%	—	—
Pre-Shipment Rediscount Credit Programme-TL	3,186,206	5.2%	2,078,411	4.8%	2,036,552	6.4%
Pre-Shipment Rediscount Credit Programme-FX	22,926,823	37.3%	19,147,268	44.4%	17,097,773	53.6%
Pre-Export Credits Programme for SMEs -TL	127,240	0.2%	113,597	0.3%	41,060	0.1%
Pre-Export Credits Programme for SMEs -FX	59,190	0.1%	41,732	0.1%	8,970	—
International Transportation Marketing Programme –TL	68,965	0.1%	60,160	0.1%	30,411	0.1%
International Transportation Marketing Programme –FX	10,454		20,115	—	8,660	—
Credit Programme for Participating in Overseas Trade Fairs-TL	92	—	71	—	93	—
Bridge Credit Programme for Overseas Contractors Services-TL	—	—	—	—	—	—
Bridge Credit Programme for Overseas Contractors Services-FX	—	—	—	—	—	—
International Loans	—	—	—	—	—	—
Foreign Currency Earning Services FX	16,820	—	19,377	—	34,541	0.1%
Other Short-Term Export Credits Programme	410	—	124	—	60	—
Total	**38,607,354**	**62.8%**	**27,863,867**	**64.6%**	**24,322.595**	**76.3%**

The Bank's short-term Turkish Lira-denominated export credits are funded through paid-up capital, credit and placement interest collections and funds from repo transactions. As a result, the Bank's cost of funds for its Turkish Lira-denominated short-term loans is nearly zero. Furthermore, the Central Bank provides the Bank with foreign currency funding within the framework of Rediscount Credits which the Bank extends to exporters in Turkish Lira as well as in foreign currencies. Funding for the Bank's short-term foreign currency-denominated export credits is principally sourced from syndicated and bilateral loans at market rates as well as from the Central Bank. As at 30 June 2017, the Central Bank's rediscount loans accounted for 52 per cent. of the Bank's total loans.

Exporters seeking pre-shipment financing must provide an order or other evidence that the Turkish manufacturer intends to sell and ship the relevant goods to a foreign buyer (an "export commitment"). Upon repayment of the loan, the exporter must provide a copy of the customs declaration as proof that it has fulfilled its export commitment. If the exporter cannot prove that it exported the products against which the funds were lent, then the exporter must pay a penalty equal to the interest charged plus the Banking and Insurance Transaction Tax ("BITT") accrued on the paid interest amount of the credit. Normally, as an export incentive, the Turkish government does not require exporters to pay these taxes.

Since 1997, reduced interest rates for short-term export credits have been made available to short-term export credit insurance policyholders.

For all short-term credits, the Bank takes collateral to provide security against the possibility of payment default. The amount of the collateral is calculated as 100 per cent. of the sum of the risk of credit and export commitment defaults.

Types of collateral accepted by the Bank include:

- Letters of guarantee issued by a Turkish bank;
- Avals issued by a Turkish bank on bond/policy;
- Surety/guarantee issued by the KGF (as defined below);
- Türk Eximbank Export Credit Insurance Policy; and
- Turkish Government debt securities.

The Credit Guarantee Fund ("KGF") is a Treasury-backed collateral facility established to support SMEs by providing access to financing and collateral to enable them to use bank loans in financing their investments and operations. The KGF provides guarantees for SMEs that are unable to obtain credit due to insufficient collateral. The KGF aims to encourage banks to provide more financing to SME borrowers through its sponsorship.

The KGF receives annual commissions based on the amount of loans guaranteed by it. These commissions are collected every six months based on the annual rate. In terms of credits under guarantee with a maturity of more than one year, the KGF collects the commission which is calculated on the basis of the risk assessed during that year. Annual guarantee commissions collected from SMEs, including surety transactions, are determined on the basis of transaction type and depend on the creditworthiness and export potential of the SMEs as well as the credit amount, including type and maturity of the credit. Commissions from guarantees linked to foreign currencies are collected in Turkish Lira based on the buying rate of exchange of the Central Bank on the date when the credit was extended. Similarly, for sureties linked to foreign currencies, the commission is collected in Turkish Lira based on the selling rate of exchange of the Central Bank on the date when the credit is extended by the Bank up to the bond maturity.

The KGF provides two types of guarantee: a guarantee through its own equity and a guarantee backed by the Treasury. For credits guaranteed by KGF's own equity, there is no requirement for additional collateral as the guarantee covers all potential risk of the credit. For credits guaranteed by the KGF that are backed by the Treasury, the Bank requires additional collateral, which may include mortgages, hypothecation or personal security provided by the companies' owners and/or company guarantees in order to provide full security against the possibility of payment default.

A KGF guarantee backed by the Treasury may be provided through two separate systems: the Portfolio Guarantee System ("PGS") and the Portfolio Limit System ("PLS"), for which the total limit allocated to the Bank is 4 billion TL and 1 billion TL, respectively.

Within the framework of PGS, KGF guarantees the total portfolio consisting of loans to be selected by the Bank. Under this framework, potential borrowers apply to the Bank directly and the Bank analyses and evaluates the creditworthiness of the borrower according to the criteria set by the Treasury and the KGF. These loan disbursements are automatically granted under the PGS limit.

Within the framework of the PLS, KGF provides separate guarantees for each borrower whose guarantee limit is exceeded in the PGS. Guarantees provided in the PLS are only available to non-SMEs whereas PGS guarantees are available for all types of borrowers.

In 2016, the majority (55 per cent.) of the Bank's total credits, in terms of credit volume, related to shipments to European Union countries, North America and Canada, with the balance going to the Middle East and Northern Africa (18 per cent.), other European countries (3 per cent.) and the rest of the world (24 per cent.). Below is a discussion of the Bank's main short-term lending programmes.

Indirect Lending

The Bank's indirect lending programmes provide financing to meet the working capital needs of Turkish exporters. Presently, the programmes operate through 35 of Turkey's 51 banks (including participation banks), which in turn on-lend to Turkish exporters who comply with the lending criteria established by the Bank. The Bank screens these intermediary banks for credit worthiness and reassesses such credit worthiness on a quarterly basis to determine whether they may continue to offer loans through the Bank's Pre-Shipment Export Credit Programmes. The Bank allocates credit lines to these intermediary banks, which bear the default risk of the exporters under these lines of credit. For further information, see "R*isk Management*". While the bulk of the loans under the indirect lending programmes have a maturity of less than 360 days, those with a longer maturity are classified as medium- to long-term loans.

As at 31 December 2016, 2015 and 2014, indirect export credits extended via selected Turkish banks comprised 11 per cent., 12 per cent. and 14 per cent., respectively, of the Bank's total credit exposure. As at 31 December 2016, the two largest exposures to such banks were 14 per cent. and 13 per cent. of the total of such exposures, respectively, with none of the remaining banks accounting for more than 10 per cent.

The total amount of Turkish Lira and foreign currency allocated at any given time to any company in the Pre-Shipment Export Credit Programme is U.S.$25 million, and no loan may exceed an amount equal to 100 per cent. of the value of the export commitment. SMEs are given priority under the Pre-Shipment Export Credit Programme and commercial banks are expected to extend at least 30 per cent. of their total Turkish Lira and foreign currency limits to SMEs. The share of Pre-Shipment Export Credit Programme in total SME credits disbursed represented 55 per cent., 46 per cent. and 49 per cent. 2016, 2015 and 2014, respectively.

Pre-Shipment Export Credit Programme

Under the PSEC Programme, the Bank extends TL and foreign currency-denominated (PSEC-TL and PSEC-FX) loans to Turkish commercial banks that in turn provide working capital loans to Turkish manufacturers,

export-oriented manufacturers and other businesses who intend to export their products and foreign currency earning services.

The Turkish manufacturer may use the monies lent to purchase raw materials and machinery or to meet other manufacturing and working capital requirements. PSEC loans are designed to provide financial support from the early stages of production against an export commitment equals to the amount of credit extended.

The Bank offers loans under this programme with a maximum maturity of 360 days for Turkish Lira-denominated credits, with a maximum maturity of 540 days for foreign currency-denominated credits. In PSEC-FX, loans are given in U.S. Dollars, euros, Sterling, and, from time to time, Japanese Yen.

Interest rates set by the Bank for PSEC-TL loans are fixed rates determined based on the maturity of the loans and a company's outstanding loan balance. Interest rates on PSEC-FX loans are calculated based on LIBOR (according to the maturity of the loan) plus a spread that varies depending on the maturity of the loans. For FX credits with a maturity of over six months, a floating interest rate is used, as the base LIBOR changes every six months. The intermediary banks can charge additional commissions to exporters up to 100 basis points for TL credits and 50 basis points for FX credits. Additionally, exporters that are also short-term credit insurance policy holders of the Bank receive a discount of 25 basis points from the standard interest rate charged by the Bank on both foreign currency and TL denominated loans.

As the Bank's cost of funding for its Turkish Lira-denominated short-term export credits is nearly zero, the interest rates that the Bank sets for TL credits are typically below the comparable market rates offered by Turkish commercial banks. The intermediary banks to which the Bank extends PSEC loans determine the collateral, if any, that the relevant Turkish manufacturers will have to provide in connection with the loans under this programme since such commercial banks bear the default risk for such loans.

Under the PSEC-TL Programme, each participating intermediary bank must extend loans to borrowers located in PIAs, in an amount not less than 5 per cent. of their lending limit. This sub-programme (PSEC-PIA) encourages exports from businesses located in PIAs and aims to help eliminate the socioeconomic gaps that exist between PIAs and more developed regions in Turkey.

Under the PSEC-FTZ sub-programme of PSEC, loans are disbursed to businesses that operate in Turkey's free trade zones.

Under the Participation Banks Pre-Shipment Foreign Currency Export Credit Programme, another sub-programme of PSEC, which was established in April 2014, the Bank extends foreign currency-denominated loans to participation banks which in turn provide foreign currency-denominated working capital loans to Turkish manufacturers, export-oriented manufacturers and other businesses that intend to export their products, except for FTCs. The Bank offers loans under this programme with a maturity of up to 540 days. The maximum amount that the Bank may lend under this programme is U.S.$25 million per borrower.

Direct Lending

The Bank's direct lending programmes, under which the Bank lends directly to Turkish exporters, aim to provide pre-shipment financing to meet the working capital needs of Turkish exporters.

Foreign Trade Companies Credits

Under the Foreign Trade Companies Credit ("FTCC") programme, the Bank makes loans to Foreign Trade Companies ("FTCs") or Sectoral Foreign Trade Companies ("SFTCs"). FTCs are businesses, which the Turkish Ministry of Economy has designated as FTCs in the Republic of Turkey's Official Gazette. In order to be classified as an FTC by the Undersecretariat for Foreign Trade, the company (a) must have exported in the prior year more than U.S.$100 million worth of goods, and (b) must have a minimum of TL 2 million of paid capital. As at 12 July 2016, the Ministry of Economy has classified approximately 56 companies as

FTCs. Meanwhile, an SFTC is formed when 10 or more small or medium-size companies in the same industry sector form a single co-operative entity for exporting purposes. To qualify as an SFTC, depending on the region in which it is established, no single member of the co-operative entity may control more than a certain percentage of voting power, and the entity's total yearly exports and aggregate capital must meet minimum thresholds.

Loans under this programme are extended either in TL (FTC-TL) or foreign currency (FTC-FX). The company limit, defined as the maximum amount of the outstanding credit risk of an exporter company, is determined separately for each company by the Bank.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

The interest rates for loans under this programme are uniform for all loans regardless of the outstanding credit risk of companies. Interest rates on FTC-TL loans are fixed rates and interest rates on FTC-FX loans are floating rates calculated based on LIBOR plus a spread that varies depending on the maturity of the loan. As in every programme, the base LIBOR changes every six months. As with PSEC loans, companies with a short-term credit insurance policy of the Bank receive a discount of 25 basis points from the standard interest rate charged by the Bank on both foreign currency and TL denominated loans.

Pre-Export Credit Programme

Under the Pre-Export Credit Programme ("PECP"), the Bank extends loans to businesses which are not classified as FTCs or SFTCs. The Bank designed these loans to be similar to the FTC loans and they may be made either in Turkish Lira or in foreign currency.

Under this programme, the Bank provides working capital loans to Turkish manufacturers, export-oriented manufacturers and exporters. Foreign currency-denominated loans extended under the PECP-FX programme may be denominated in U.S. Dollars, euro, Sterling and Japanese Yen and have a maximum maturity of 540 days, whereas Turkish Lira-denominated loans extended under the PECP-TL programme have a maximum maturity of 360 days. The interest rates on loans extended under PECP-TL are fixed rates, which are calculated based on the maturity of the loan and the relevant company's outstanding loan balance, and are typically set at levels below comparable market rates offered by Turkish commercial banks. Interest rates on loans extended under (PECP-FX) are uniform for all loans that have the same principal amount and are approved on the same day, and are calculated based on six-month LIBOR or EURIBOR plus a spread.

The maximum amount the Bank may lend to a given company under these programmes is U.S.$25 million for foreign currency and TL denominated loans. No loans under the programmes may be in an amount which exceeds the value of the borrower's exports commitment.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Special Credit Programmes

Special credit programmes include Central Bank lending programmes as well as other specific credit programmes.

Specific Rediscount Credit Programme

The specific Rediscount Credit Programme is a special credit programme in which pre-shipment and post-shipment exports are financed simultaneously. This programme was established at the end of 2016 to meet exporters' needs.

Under this programme, the Bank accepts a "Specific Export Credit Insurance Pre-/Post-Shipment Risk Policy" as collateral. Pursuant to a "Specific Export Credit Insurance Pre-/Post-Shipment Risk Policy", the Bank insures the export order of the firm against the risk that the buyer will cancel its order. Moreover, under a "Short Term Export Credit Insurance Pre-/Post-Shipment Risk Policy", the Bank insures the export receivables against the default risk via another policy.

The programme continues to be conducted in pilot form with a maximum maturity of 360 days.

Post-Shipment Rediscount Credit Programme

The Post-Shipment Rediscount Credit Programme is the Bank's unique post-shipment facility. This programme was established in October 1996 under the name Short-Term Export Receivables Discount Programme. The programme, including its name, was revised to its current form in 2012. The programme aims to increase the competitiveness of Turkish exporters in international markets by enabling them to sell Turkish goods on deferred payment terms and by eliminating overseas risks, which encourages them to enter new markets.

Under this programme, Turkish exporters assign their deferred export receivables with a maximum maturity of 360 days arising from cash against goods, cash against documents and letters of credit insured by the Bank's Short-Term Export Credit Insurance Programme or guaranteed by domestic and/or international commercial banks. The Bank discounts 85 per cent. (100 per cent. for transactions under guarantee of domestic and/or international commercial banks) of deferred export receivables and endorses related notes to the Central Bank to fund such activities through the rediscounting line provided by the Central Bank to the Bank, which was increased from U.S.$15 billion to U.S.$17 billion in July 2016. Additionally, Post Shipment Rediscount Credits can be disbursed through intermediary factoring companies in return for the endorsement of assigned receivables of exporter companies.

Rediscount Credit Programme

The Rediscount Credit Programme was established in December 1999 to offer financial assistance to Turkish exporters on a pre-shipment basis. The Bank discounts bonds issued by exporter company, funding such activities through the rediscounting line provided by the Central Bank to the Bank, which was increased from U.S.$15 billion to U.S.$17 billion in July 2016. At June 2015, in addition to goods export activities, Foreign Exchange Earning Services such as tourism, health services, consultancy, software and engineering services, transportation and maintenance and repair services have been included in the programme's scope. The programme, which requires an export commitment, provides pre-shipment credits denominated in foreign currency and in Turkish Lira with a maturity of up to 360 days. For credit applications that are approved by the Bank, credits must be collateralised with avalised promissory notes or with transferrable letters of bank guarantee for 100 per cent. of the principal amount. This programme covers export transactions based on cash against goods, cash against documents and irrevocable letters of credit.

Tourism Credit Programme

The Tourism Credit Programme is designed to provide financial support to Turkish travel agencies, airline companies and tourism companies that are considered to be exporters. The Turkish government supports this programme due to the significant foreign exchange revenues generated from tourism and has broadened the scope of the programme to support tourism-related businesses. The Bank extends TL and foreign currency-denominated direct loans under this programme with a maximum maturity of 360 days (in two instalments) to travel agencies, tourism companies and airline companies authorised by the Ministry of Tourism and foreign currency-denominated loans for a maximum maturity of 540 days.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

The maximum amount that the Bank may lend annually per company was raised to U.S.$25 million from U.S.$15 million in 2013. Turkish Lira-denominated loans bear fixed rates of interest which the Bank typically sets below comparable rates offered by Turkish commercial banks whereas interest rates on foreign currency-denominated loans are calculated based on LIBOR plus a spread that varies depending on the maturity of the loan.

International Transportation Marketing Credit Programme

The International Transportation Marketing Credit Programme aims to provide short-term financing to international transportation companies which have certificates of authority for international transportation, in order to reduce the transportation cost of exporting companies. The maximum maturity is 360 days for Turkish Lira-denominated loans at interest rates determined by the Bank. The interest rates on such Turkish Lira-denominated loans are fixed rates, depending upon the size of loan. Interest rates for TL and foreign currency-denominated loans are determined by the Bank in accordance with developments in money markets and varies as to repayment period and the company's borrowings. Furthermore, foreign currency-denominated loans are linked to LIBOR/EURIBOR/GBP LIBOR/TIBOR plus a spread that is determined based on the Bank's total FX funding cost and overhead charges and have a maximum maturity of 540 days.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Credit Programme for Participating in Overseas Trade Fairs

The Credit Programme for Participating in Overseas Trade Fairs provides financing to companies authorised by the Ministry of Economy to arrange trade fair organisations and attend international fairs with the aim of increasing their market shares and therefore contributing to the development of Turkish exports. Unlike the Bank's other credit programmes, these credits are extended only in Turkish Lira with a maximum maturity of 360 days. The amount of credit is limited to 80 per cent. of the total expenditures of the proposed projects of the participant company and 30 per cent. of those of the organiser company. The lending limit under the programme varies from TL 200,000 to TL 2 million according to the licence of authority that the applicant company.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default. In addition, Bank also accepts the defined receivables of the companies at the Central Bank as collateral at the rate of 60 per cent.

Medium- and Long-Term Export Credits

Medium- and long-term export credit programmes are specific credit programmes available for export transactions that cannot be covered under the standard credit and guarantee programmes. The Bank has developed such programmes to support the export of goods and services along with turnkey projects to be undertaken by Turkish contractors in other countries. Loans under the Bank's medium- and long-term credit programmes accounted for, in the aggregate, 38 per cent., 37 per cent., 35 per cent. and 23.7 per cent. of its total loans as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, respectively. Loans extended under the Bank's medium- and long-term export credits increased by 24 per cent. to U.S.$6.5 billion in 2016, compared to U.S.$5.3 billion in 2015, compared to an increase of 61 per cent. between 2015 and 2014. These programmes involve the extension of credit as well as the providing of export insurance and guarantees and enable Turkish exporters and contractors to mitigate risk in conducting their business, which would otherwise be considered to be both politically and commercially difficult from a risk perspective. Certain loans extended under short-term credit programmes that have longer maturities are also classified as medium- to long-term loans. Brief descriptions of the Bank's main medium- and long-term credit programmes which are listed below follow:

- International Loans Programme
- International Project Loans Programme
- International Trade Finance Credits
- Bridge Credit Programme for Overseas Contractor Services
- Letter of Guarantee Programme for Overseas Contractor Services
- Shipbuilding and Export Financing Programme
- Credit Programme for Foreign Currency Earning Services
- Overseas Chain Stores Investment Credit Programme
- Specific Export Credit Programme
- Trademark Credit Programme
- Export-Oriented Working Capital Credit Programme
- Export-Oriented Investment Credit Programme
- European Investment Bank Funded Credit Programme
- World Bank Funded—Export Finance Intermediary Loan (EFIL-IV)

The following table sets forth the amount of the outstanding balance for each of the Bank's medium- to long-term loan products and its proportion of the total outstanding loan balance as at 31 December 2016, 2015 and 2014.

	As at 31 December					
	2016		**2015**		**2014**	
	(in thousands of TL, except percentages)					
International Loans Programme	1,734,455	2.8%	756,415	1.8%	397,076	1.2%
Pre-Shipment Export Credits-TL	21,573	—	—	—	206,841	0.6%
Pre-Shipment Export Credits-FX	2,055,842	3.3%	1,414,855	3.3%	283,775	0.9%
Export Preparation Credits Programme-TL	—	—	—	—	83,368	0.3%
Export Preparation Credits Programme-FX	370,415	0.6%	271,988	0.6%	35,718	0.1%
SME Export Preparation Credits Programme-TL	801,698	1.3%	655,555	1.5%	286,498	0.9%
SME Export Preparation Credits Programme-FX	356,688	0.6%	208,689	0.5%	80,009	0.3%
EIB Funded Credit Programme	1,799,696	2.9%	1,262,949	2.9%	603,816	1.9%
World Bank Funded Export Finance Intermediary Loan	306,157	0.5%	372,423	0.9%	377,784	1.2%
Bridge Credit Programme for Overseas Contractors Service-TL	117,540	0.2%	117,430	1.0%	124,827	1.0%
Bridge Credit Programme for Overseas Contractors Service-FX	439,809	0.7%	299,607	—	186,452	0%

	As at 31 December					
	2016		2015		2014	
Export Oriented Working Capital Credits-TL	223,019	0.4%	377,752	0.9%	525,741	1.6%
Export Oriented Working Capital Credits-FX	8,488,321	13.8%	6,533,652	15.1%	3,462,287	10.9%
Other Specific Export Credit Programmes	6,197,894	10%	3,023,944	7.0%	903,0772.8	1.3%
Total	22,913,107	37.2%	15,295,259	35.5%	7,557,269	23.7%

For all of the medium- and long-term credits, the Bank takes collateral to provide security against the possibility of payment default. The amount of the collateral is calculated as 100 per cent. of the sum of the risk of credit and export commitment defaults. For types of collateral accepted by the Bank, see " — *Banking Activities — Short-Term Export Credits*".

International Loans Programme

In line with Turkey's foreign economic policy and goals, the Bank, under its International Loans Programme, which is a buyer's credit/guarantee scheme, provides financial support for goods and services exported by Turkish firms. The main objectives of this programme are to establish long-term bilateral relations, to strengthen the competitiveness of Turkish exporters and contractors in international markets and to provide risk management options for their activities in those markets with high political and commercial risks.

Under this programme, the Bank has extended loans to public entities in borrowing countries and required sovereign guarantee of the borrowing country. However, in order to support commercial transactions in the private sector, the Bank has begun extending credit lines to creditworthy banks. Turkish companies are reimbursed by the Bank for the value of the goods and services exported from Turkey and the borrower's account is debited. Loans under this programme are denominated mainly in U.S. Dollars and euro.

The Bank's countries of operations and credit ceilings are subject to the approval of the Cabinet of Ministers. Additionally, loans with a maturity of two years or more and in an amount of U.S.$20 million or more are subject to the approval of the Minister responsible for the Undersecretariat of Treasury in accordance with Law No. 4749.

Political risk losses incurred by the Bank under its International Loan Programme are indemnified by the Turkish Treasury. Since the inception of the programmes in 1988, a total of U.S.$685.5 million has been indemnified by the Turkish Treasury through cash transfer and deductions from its share of profit, together with U.S.$263.3 million deducted from the collections of the relevant countries raising the total figure to U.S.$948.8 million as at 30 June 2017. The last significant indemnity payment from the Turkish Treasury has been received in 2017 stemming from collections in connection with loans to Sudan. Additionally, when the Bank extends concessional cash and non-cash export credits to foreign countries that the government has deemed strategically important to Turkey, the total income loss of the Bank is covered by the Treasury (currently there is no outstanding concessional credit).

The Bank follows the OECD Arrangement on Officially Supported Export Credits when extending buyer's credits. The Bank's current country limits are reflected in the table below.

	OECD Country Risk Categories 0 through 2	OECD Country Risk Category 3	OECD Country Risk Category 4	OECD Country Risk Category 5	OECD Country Risk Category 6	OECD Country Risk Category 7	Total
				(U.S.$ millions)			
Group Limit.....	1,500	1,500	1,000	1,250	1,250	1,250	7,750
Country Ceiling.....	750	600	450	400	350	350	N/A

The OECD country risk classifications are widely used by export credit agencies and reflect an individual country's risk in terms of its financial, political, economic situation and payment experience of the export credit agencies (of OECD Participants to the Arrangement) with the country. The Bank applies an aggregate limit for each category (or group of categories), in addition to the country ceiling which applies to each individual country within the relevant category (or group of categories).

In line with its policy of innovating new buyer's credit products and better responding to the needs of its exporters and buyers, the Bank restructured its International Loans Department into two separate directorates, ''International Project Loans'' and ''International Trade Finance'', which provide types of buyer's credit products.

International Project Loans Programme

Under the International Project Loans Programme, direct loans and guarantees are provided for projects undertaken by Turkish contractors abroad. The borrower under the loans can be either the public institutions under sovereign guarantee or reputable banks that are found acceptable to the Bank after a thorough financial diligence process.

The following table indicates the outstanding balance figures of the countries as at 30 June 2017:

Countries	**Outstanding balance[(1)]**
	(U.S.$ millions)
Belarus	20.09
Ghana	115.22
Ethiopia	307.42
Senegal[(2)]	45.27
Sudan[(2)]	7.36
Congo	57.92
Total.....	553.28

Notes:

(1) The outstanding balance includes accrued interest. The outstanding balance was U.S.$589.17 million as at 31 December 2016.

(1) The loans in Senegal and Sudan were extended in euro, and have been converted to U.S. Dollars at the applicable exchange rate as at 30 June 2017. As at 30 June 2017, Congo was in default since the country did not pay the commitment fee which resulted in the amount seen in the outstanding balance. The amount was paid on a date later than 30 June 2017.

International Trade Finance Programmes

International Trade Finance is comprised of four different credit programmes:

Buyer's Credits Through Foreign Banks

Within the scope of this programme, the Bank extends credit lines to foreign banks which seek to finance import of Turkish goods which are considered to be acceptable to the Bank, in the form of revolving loan agreement between the Bank, as lender, and the relevant foreign bank, as borrower.

Buyer's Credits Through Domestic Banks

Under this programme, the Bank provides pre-shipment and post-shipment finance to Turkish banks which seek to finance Turkish imports through their branches, subsidiaries and correspondent banks operating overseas.

Export Receivables Discounting Programme

This programme enables Turkish exporters to sell their goods on deferred payment terms and to encash their receivables before their due date(s) at the post-shipment stage. Within the scope of this programme, export receivables covered by the Bank's Specific Export Credit Insurance Policy or arisen from the proceeds of a Letter of Credit issued or confirmed by the foreign bank who is allocated a credit limit by the Bank are discounted. Under this programme, exporters assign their receivables arising from export transactions to the Bank, which in turn pays the receivable amount less the discount fee and the insurance premium to the exporter.

Buyer's Credit to Foreign States

The aim of the facility is to provide loans to foreign states for the import of Turkish goods from Turkey. Under this programme, the borrower of the International Loans, which is a buyer's credit scheme by nature, can be either the public institution/bank in the borrowing country nominated by the relevant host government pursuant to a sovereign guarantee or a bank designated pursuant to intergovernmental protocols.

The repayment periods under International Trade Finance Programmes are up to two years for import of durable and non-durable consumer goods, up to 10 years for import of capital goods.

Bridge Credit Programme for Overseas Contractor Services

The Bridge Credit Programme for Overseas Contractor Services was put into effect in 2009 in order to minimise the effects of the financial crises in the international markets on the Turkish construction sector and to ensure the stability of their investments and competitive capacity in this market by keeping existing construction sites and mobilisation-engine parks in function.

The loans have maturities of either 360 days or 720 days for both foreign currency and TL credits with optional fixed or floating exchange rates.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Letter of Guarantee Programme for Overseas Contractors' Services

The Letter of Guarantee Programme for Overseas Contractors' Services helps Turkish contractors to sustain their current market share in international markets and also encourage them to enter into new markets.

Turkish overseas contractors who participate in tenders abroad are provided letters of guarantee by the Bank under the counter-guarantee of Turkish commercial banks. Under this programme, the Bank issues a bid-bond, performance-bond and advance guarantee letter either directly or through another bank to cover Turkish contractors' responsibilities for possible projects. The yearly commission rate is 0.5 per cent.

Shipbuilding and Export Financing Programme

The Shipbuilding and Export Financing Programme aims to support Turkish dockyards in increasing their current market share in international markets. Under this programme, Turkish companies involved in shipbuilding and/or exporting of ships are provided direct loans and/or letters of guarantee, in the form of advance payment guarantee letters and performance guarantee letters so that they may obtain pre-financing either in advance or in instalments from the buyer or they can buy supplies and materials with payments having a fixed term.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Direct loans extended in this programme have a maturity of up to 540 days for both foreign exchange and Turkish Lira credits with optional fixed or floating interest rates. The yearly commission rate for letters of guarantee is 0.5 per cent. under the programme. The maximum amount that the Bank may lend under this programme is U.S.$25 million.

Credit Programme for Foreign Currency Earning Services

The Credit Programme for Foreign Currency Earning Services aims to contribute to Turkey's foreign exchange earnings. Credits are extended either in Turkish Lira or in foreign currency to companies residing in Turkey which engage in foreign currency earning services abroad or export of services.

Under this programme, the collateral mentioned above are taken to provide 100 per cent. security against the possibility of payment default.

The loans under this programme have a maturity of up to 720 days for both foreign exchange and TL credits with optional fixed or floating interest rate. The amount of short-term and medium-term disbursements of credit in 2016 was U.S.$1.65 million and U.S.$5.74 million, respectively.

Overseas Chain Stores Investment Credit Programme

The Overseas Chain Stores Investment Credit Programme supports direct sales of Turkish brand consumer goods in international markets and establish Turkish brand names and promote Turkish designed goods abroad. The Bank also supports overseas investments of Turkish entrepreneurs for the establishment of shopping malls and chain stores in which various consumer goods may be offered for sale.

The loans are provided with a maximum maturity of seven years including a grace period of one or two years for both foreign exchange and TL credits with optional fixed or floating interest rates. Disbursements of loans are made against related expense bills made before the disbursement. The maximum amount that the Bank may lend under this programme is U.S.$25 million.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Specific Export Credit Programme

The Specific Export Credit Programme is used to evaluate credit demands that are not subject to the standard credit programmes of the Bank. It is a medium-term pre-shipment financing facility provided to manufacturers/exporters for projects that generate foreign currency.

The Specific Export Credit Programme encourages export of new products to new markets. Loans are provided with the terms and interest rates determined on a project-by-project basis.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Trademark Credit Programme

The Trademark Credit Programme provides a long term financing facility to companies operating in Turkey for activities such as the purchase of a foreign trademark and the purchase of a facility or store related to that trademark. The Trademark Credit Programme also supports efforts to improve the image of Turkish trademark and goods abroad and to establish and expand Turkish trademarks overseas. The loans are provided only in foreign currency with floating interest rates and maturities of loans are either 7 years or 10 years, including a grace period of 2 or 3 years, respectively.

Under this programme, the collaterals mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Export-Oriented Working Capital Credit Programme (Medium & Long-term Loans)

The Export-Oriented Working Capital Credit Programme provides exporters and export-oriented manufacturers of Turkish goods with the working capital necessary for their production.

The maturity for a working capital loan is three years at most. Under this programme, the company limit is U.S.$50 million. As at 30 June 2017 and 31 December 2016, the amount of disbursements under this programme was U.S.$441.9 million and U.S.$862.5 million, respectively.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Export-Oriented Investment Credit Programme (Medium & Long-term Loans)

The Export-Oriented Investment Credit Programme provides financing for the purchase of machinery, equipment, fittings and other investments needed by Turkish goods export-oriented producers or manufacturers.

The maturity for an investment loan is either four, five, six or seven years with one or two years grace period (four different terms). Under this programme, the company limit is U.S.$50 million. As at 30 June 2017 and 31 December 2016, the amount of disbursements under this programme was U.S.$64.8 million and U.S.$179.0 million, respectively.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

The Export Finance Intermediation Loan (EFIL-IV) (Medium & Long-term Loans)

The EFIL-IV was created for to support the ship/yacht-building and machinery manufacturing industries and put into effect by the agreement between the Bank and the International Bank for Reconstruction and Development (the “IBRD”).

The EFIL-IV is available for companies in the electric-electronic, automotive supplier and metalware industries in addition to the ship/yacht building and machinery manufacturing industries. The entirety of the funds provided by the IBRD has been allocated to firms in these industries.

European Investment Bank Funded Credit Programme (Medium & Long-term Loans)

The European Investment Bank Funded Credit Programme was put into force within the scope of an agreement between the Bank and the European Investment Bank, and aims to provide longer term working capital loans and to increase fixed capital investments realised by SMEs operating in the manufacturing industry and the logistics and tourism sectors.

Under this programme, the collateral mentioned above is taken to provide 100 per cent. security against the possibility of payment default.

Insurance

The Bank insures export receivables against commercial and political risks within certain limits by means of export credit insurance programmes, one of the Bank's main areas of activity. Commercial risks are those risks associated with the buyer's ability to pay, such as the buyer's insolvency or non-acceptance of the goods. Political risks are those associated with government policies, such as transfer restrictions, foreign exchange restrictions or war.

The Bank offers both short-term export credit insurance, which insures all shipments to be made by a Turkish exporter within one year, and medium- and long-term insurance, which insures exports and investments by Turkish companies that are financed over a term exceeding one year. Within the framework of the Bank's short-term export credit insurance programme, the percentage of coverage is up to 90 per cent. for losses due to political and commercial risk with payment up to 360 days. The insurance provided under this programme is a comprehensive cover including optional pre-shipment period (maximum 180 days) coverage, whereby post-shipment coverage is compulsory for the relevant applicants. The short-term export credit insurance programme also enables exporters to obtain funding from commercial banks and the Bank itself, since policy proceeds are assignable. The Bank's export insurance programmes (which are discussed in more detail below) can be outlined as follows:

- Short-Term Export Credit Insurance Programme
- Short-Term Domestic Credit Insurance Programme
- Medium- and Long-Term Insurance Facilities
    - Specific Export Credit Insurance Pre-Shipment & Post-Shipment Risk Programmes
    - Insurance Programme for Unfair Calling of Bonds
    - Overseas Contractors' Services Political Risk Insurance

The following table sets forth the income and expenses from the Bank's export credit insurance programmes for each of the years ended 31 December 2016, 2015 and 2014.

	For the year ended 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Income:			
Premium Income	107,323	85,211	72,078
Credit Limit Appeal Fees	4,913	2,973	1,634
Policy Issuing Fees	784	604	1,700

	For the year ended 31 December		
	2016	**2015**	**2014**
Insurance Commissions from Reinsurance Companies	23,788	23,866	20,889
Collections from Overdue Premium Receivables	133	33	6
Collections from Claims Paid	95	8	16
Total Income	137,036	112,715	96,323
Expense:			
Premiums Paid to Reinsurance Companies.....	58,063	50,857	45,373
Adjustments for premium Incomes of past years.....	60	699	970
Claims Expense (Indemnifications)	4,813	2,364	6,123
Legal expenses (case, court and attorney fees)	502	323	300
Information Gathering Expenses.....	8,504	6,572	5,629
Total Expense.....	71,942	60,815	58,395

For export credit insurance covering political and commercial risk, the exporter is charged a premium according to the risk classification of the buyer's country (if any), terms and conditions of payment, and type of buyer (sovereign or private). Under Article 4(C) of the Law, which established the Bank, the Treasury is obligated to meet any losses incurred by the Bank in its credit, insurance and guarantee transactions as a result of political risks. Since the indemnity to the Bank from the Undersecretariat of Treasury solely relates to political risk, the losses due to commercial risk are borne by the Bank. However, financial reinsurance agreements have been established with overseas re-insurance companies on the basis of a quota-share treaty to transfer a major portion (currently 60 per cent.) of the commercial risks out of 90 per cent. shipment coverage borne by the Bank under the Short-Term Export Credit Insurance Programme. In addition, the Bank also reinsures 60 per cent. of the underwritten short-term political risks in the case of exports to non-OECD countries within specific country limits agreed to with reinsurance counterparties since the beginning of 2000. The Bank may also, on a discretionary basis, reinsure commercial and political risks assumed in medium- and long-term insurance cover.

The following table sets forth the amount of insurance underwritten by the Bank under its export credit insurance programmes for the years ended 31 December 2016, 2015 and 2014 and the change from the comparable prior period.

	Year ended 31 December					
	2016	**% change 2016/2015**	**2015**	**% change 2015/2014**	**2014**	**% change 2014/2013**
	(in thousands of U.S.$, except percentages)					
Export credit insurance underwritten.....	11,038,731	10%	10,072,128	(8)%	11,003,026	31%

Source: Internal accounts.

Short-Term Export Credit Insurance Programme

The Short-Term Export Credit Insurance Programme applies to goods exported by Turkish companies and is available to all Turkish exporters. Under this programme, all shipments to be made by a Turkish exporter within one year and with payments deferred up to 360 days may be insured by the Bank against commercial and political risks under the buyer limits set by the underwriting department of the Bank. A fee is levied on each application for insurance, with the amount varying depending upon the type of entity (FTC, SFTC, joint

stock company, etc.) seeking insurance. The premium rates vary according to the risk classification of the buyer's country, the terms and conditions of payment and the nature of the buyer (public/private). Currently, premiums range from 0.02 per cent. to 4 per cent. of the value of the shipment. The policy proceeds are assignable for financing purposes.

In order to encourage use of this programme, the Bank provides policyholders a reduction on the interest rates charged in connection with the Bank's short-term export credits. The Bank only levies one premium, which covers both political and commercial risks.

Short-Term Domestic Credit Insurance Programme

The Short-Term Domestic Credit Insurance Programme is intended for Turkish exporters and group companies. Following a decision by the Board of Directors dated 25 June 2013, a pilot programme was initiated in 2013. The Bank secures the receivables of exporters and group companies, with a maturity of up to 360 days, for shipments arising from their domestic operations against commercial risk within the limits of the programme. As at 30 June 2017, 114 companies had benefited from this service and the Bank insured shipments amounting to U.S.$911 million and going to 10,398 buyers. The Bank collected premiums worth U.S.$2.6 million against the shipments included in the insurance.

Medium- and Long-Term Insurance Facilities

The medium- and long-term insurance facilities include export credit insurance for commercial and political risks for periods in excess of one year.

Specific Export Credit Insurance Pre-Shipment & Post-Shipment Risk Programmes

The Specific Export Credit Insurance Post-Shipment Risk Programme, introduced in 1990, provides insurance cover against commercial and political risks for the export of Turkish origin goods which are sold on credit terms as defined in the OECD's Arrangement on Officially Supported Export Credits. This is a single buyer insurance programme providing cover against political and commercial risks for the post-shipment stage. The cover is up to 95 per cent. of the sum insured. The Specific Export Credit Insurance Pre-Shipment Risk Programme was implemented in 2016. Expenses directly incurred by exporters during the pre-shipment period are insured against commercial and political risks with this programme.

Insurance Programme for Unfair Calling of Bonds

The Insurance Programme for Unfair Calling of Bonds covers the risk of unfair calling of bonds (bid bonds, advance payment bonds and performance bonds) issued by Turkish commercial banks on behalf of Turkish contractors in favour of public buyers for overseas projects undertaken by Turkish contractors.

Overseas Contractors' Services Political Risk Insurance Programme

The Overseas Contractors' Services Political Risk Insurance Programme, provides insurance to Turkey's contractors against the losses they may incur due to political risks such as the inability to receive progress payments, the confiscation of machinery and equipment, the restriction of foreign currency transfers, war, civil war and insurrections.

Equity Investments

As at the date of this Prospectus, the Bank has no subsidiaries. It has an equity interest in two Turkish companies: a 9.78 per cent. shareholding in Garanti Faktoring Hizmetleri A.Ş., a factoring company, which it holds in order to promote the development of the factoring business in Turkey and a 1.54 per cent. shareholding in Kredi Garanti Fonu A. Ş., which was established to support SMEs by providing a guarantee for their financing. The Bank currently does not categorise such equity investments as available-for-sale securities and the Bank closely monitors the market value of the Garanti Faktoring Hizmetleri A. Ş shares. In

2013, in accordance with the completion of the share transfer envisaged under the Capital Markets Law (Law No. 6362), the Bank acquired a 0.037 per cent. interest in Borsa Istanbul A. Ş., becoming one of its members.

Real Estate Holdings

The Bank operates out of its headquarters in Istanbul and seven branches located in Ankara, Izmir, Gaziantep, Bursa, Denizli, Adana and Istanbul (European Side). The Bank also has five liaison representative offices located in Samsun, Trabzon, the Kemalpaşa Organised Industrial Zone, the Aegean Region Chamber of Industry and the Manisa Organised Industrial Zone. The Bank's branch office and its liaison offices are based in the most industrialised provinces in Turkey with the highest export potential.

The Bank has been expanding its branch network in Turkey and intends to open additional branches in 2017. See "*Business — Strategy — Support diversification of export markets and products*".

Currently, the Bank owns two apartments, which it uses to provide housing to some of its employees.

Employees

The following table sets forth the total number of employees of the Bank (including its directors) as at 30 June 2017 and 31 December 2016, 2015 and 2014.

In the six months ended 30 June 2017, in line with the planned growth of the Bank, the Bank recruited 26 personnel, particularly for IT, loan/insurance allocation, loan/insurance marketing, sales and domestic services.

	As at 30 June	**As at 31 December**		
	2017	**2016**	**2015**	**2014**
Total employees.....	637	631	541	524

The Bank provides its employees with extensive training (in-house and through external institutions) in order to enhance their skills, including computer literacy, and to ensure that they keep abreast of developments in their fields.

All employees who retire, or whose employment is terminated without cause, are entitled under Turkish legislation to lump sum payments. Such payments are based on the number of years of service and final salary at the date of retirement or leaving. In addition, the Bank self-insures the health care costs of all of its employees and provides housing or a housing allowance to its employees. Management believes that current relations with its employees are satisfactory. None of the Bank's employees is unionised and the Bank has no history of work stoppages or workplace disturbances.

Information Technology

The Bank's information technology management seeks to provide, deliver, maintain and support the Bank with secure and updated technology and systems. It comprises two departments: the IT Infrastructure Operations & Management and Department of Software Development and Business Innovation. It has 38 employees in total, the majority of whom are graduates of IT-related disciplines.

The Bank's information system consists of a core banking application running on an Oracle Database, an online banking system that enables customers to manage their insurance and credit operations from the internet and a document management system based on three different servers running Unix and Windows

operating systems. It also uses SAP Treasury and Risk Management as its treasury and risk management platform. The Bank recently upgraded its database system and virtual server and storage systems, which are regularly backed-up by the Bank's disaster recovery site in accordance with the Bank's business continuity plan.

In light of its strategic goals, including the expansion of its branch network, the Bank undertook a number of IT related infrastructure projects, with the aim of establishing a web-based, mobile-enabled, business process-based and secure connection between the Bank's headquarters and its branches.

The Bank has started to move its core banking technologies from an Oracle and reports based structure to a Business Process Management ("BPM") structure using an IBM BPM tool. Through new credit software released in November 2016, existing credit software applications were transformed into a single web and workflow-based application. In addition to new credit software, the Bank has also started to renew its insurance software platform with service-oriented architecture using Agile methodologies to provide more effective and reliable systems for domestic and international insurance needs. In the near future, the Bank plans to renew its commercial website with the purpose of providing a more user-friendly and interactive platform to serve more credit and insurance companies.

The Bank considers protection of information to be its high priority and uses trusted systems and products (such as Fortigate Internal Firewall, Symantec Endpoint Protection, Web Application Firewall, Brightmail (Mail Security Gateway) and Checkpoint External Firewall) to ensure a high level of security. Both the Bank's external and internal (i.e. between the Bank's main office and branch and liaison offices) communications are made using secure connections. There are also several secure virtual private network connections to the Central Bank, the Istanbul Stock Exchange Market and SWIFT systems. All of the Bank's employees are well informed about information security issues and regular security tests are conducted under the supervision of the BRSA.

The Bank's Information Technology Department is under the supervision of the BRSA in accordance with the Control Objectives of Information and Related Technology ("COBIT") framework. The Bank's information technology processes are organised according to this framework and the Bank has approved well-defined processes for information security, strategic planning, risk management, problem and incident management, service management and change management.

Legal Proceedings

As at 30 June 2017, no governmental, legal or arbitration proceedings are pending or threatened which may have, or may have had, during the 12 months prior to the date of this Prospectus, a significant effect on the Issuer's financial position or profitability.

As at the date of this Prospectus, 154 cases with amounts in dispute totalling TL 1,996,828 and U.S.$ 5.989,529 and euro 31,290,00 have been filed against the Bank. The substantial majority of these lawsuits have been brought by former employees of the Bank (134 lawsuits out of the 154 ongoing lawsuits). Ten of the remaining lawsuits are in respect of insurance benefits and one arose from a transaction under the Iraq credit programme. No provision has been made in respect of the outstanding lawsuits as at 30 June 2017, as professional advice indicated that it was unlikely that any significant loss would arise.

The Bank currently has no outstanding disputes with tax authorities.

RISK MANAGEMENT

The purpose of asset and liability management is to monitor and control the size and concentration of risk arising from interest rate sensitivity, exchange rate sensitivity and liquidity. The principal categories of risk inherent to the Bank's business are market risk, credit risk, liquidity risk and operational and legal risk. The Bank's risk management policy is designed to identify and analyse the above mentioned risks, set appropriate limits, and continually monitor these risks and limits by means of management information systems. In addition, the Bank periodically evaluates its risk management policies and systems to determine if they need to be modified in order to reflect changes in markets and products.

The Supreme Advisory and Credit Guidance Committee, the Board of Directors, the Executive Committee and the Credit Committee all play a role in shaping the Bank's risk management policy and procedures. The Supreme Advisory and Credit Guidance Committee approves the upper limits of credits to be extended, guarantees to be issued and insurance transactions to be implemented by the Bank according to either total amount or countries and product groups. The Board of Directors must observe these limits. For short-term lending, the Credit Committee meets on a weekly basis to approve loan applications. For medium- and long-term lending, the loan application must be approved by the Board of Directors.

The Bank's short and medium- and long-term credit programme are carried out with respect to financial conditions (terms, interest rates, collaterals, etc.) and procedures approved by the Board of Directors. Cost of funds, maturity of the transaction, structure of the collateral and variation of the market interest rates are taken into consideration and the Bank's mission to provide financing opportunities with costs leading the exporters to gain competitive advantages in the existing markets and risky/new countries is also considered during the pricing process of the loans.

Strategy in using financial instruments

The objective of the Bank's asset and liability management and use of financial instruments is to limit the Bank's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has sufficient capital. The Board of Directors of the Bank sets risk limits and parameters in relation to international loans with maturities of more than two years and in an amount less than or equal to U.S.$20 million. For transactions of more than two years or in an amount greater than U.S.$20 million, authority is delegated to the Deputy Prime Minister in charge of the Bank.

As at 30 June 2017, the Bank's loan portfolio constituted 94 per cent. of its total assets, as compared to 90 per cent. and 97 per cent. as at 31 December 2016 and 2015. The Bank is exposed to the risk of the Turkish banking system with regards to short-term, medium-term and long-term lending (other than fund-sourced and international loans). Political risks in relation to medium-term and long-term international loans, however, are under the political risk guarantee of the Turkish Treasury.

While the majority of the Bank's loans are at floating rates, its loan portfolio also includes fixed rate foreign currency loans. In accordance with its mission, the Bank strives to match the cost of its funding to interest rates charged on its foreign currency loans. Loans denominated in Turkish Lira are funded by equity and loans from the Central Bank.

Credit risk

Credit risk is the risk that a counterparty to a financial contract with the Bank will fail to perform according to the terms and conditions of the contract and cause the Bank to suffer a loss. This risk arises from the Bank's financing and investment activities. The Bank has established a system for approving, monitoring and controlling such risk as described below. Although the Bank actively seeks to manage and mitigate credit risk

considerations, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

According to article numbered 25 of the decree (regulating the "Articles of Association" of the Bank) of the Council of Ministers numbered 2013/4286 and dated 28 January 2013, the scope of the annual operations of the Bank is determined by the Bank's Annual Programme, which is approved by the Supreme Advisory and Credit Guidance Committee ("SCLGC"). The SCLGC is currently chaired by the Deputy Prime Minister and is comprised of senior economic officials and executive managers of the bank. The Board of Directors of the Bank is authorised to allocate the risk limits for loans, guarantees and insurance by country, sector and commodity groups, within the principles set by the Annual Programme. The Bank's loan and risk departments monitor the risks and limits of companies and banks on a weekly and monthly basis.

Pursuant to the Banking Law (Law No. 5411) and the Decree, the Credit Committee is responsible for approving credit allocations under the supervision of the Board of Directors. Short-term Turkish Lira and foreign currency credit applications equalling less than 1 per cent. of the Bank's shareholders' equity are submitted by the Credit Department for evaluation and approval by the Credit Committee. In the event that the decision is made with the majority of the members of the Credit Committee, it needs to be approved by the Board of Directors. However, if the decision is made unanimously, then approval by the Board of Directors is not necessary. The General Manager Credit Committee is vested with the authority to issue credit within this threshold provided the credits are 100 per cent. guaranteed by first-class warranties (e.g., letters of guarantees issued by other banks, surety and guarantees, domestic bank confirmations to an irrevocable letter of credit, KGF guarantees, etc.) The Credit Committee meets at least once weekly. For more information on the Credit Committee, see "*Management — Credit Committee*".

In accordance with the collateralisation policy of the Bank, the Bank is exposed to the risks of short-term loans to domestic banks. The cash and non-cash limits on domestic banks for short-term and medium- and long-term credits are approved by the Board of Directors. In addition, all of the foreign exchange denominated operations and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors.

The risk limits of the international loans are determined by the annual programme of the Bank which are approved by the SCLGC, in accordance with foreign economic policy priorities of Republic of Turkey. According to the Article 10 of Act no. 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management, international loans with a tenor of 2 years or more are granted with the approval of the Board of Directors of the Bank and the approval of the Minister in charge of Turkish Treasury. However, according to the Council of Ministers' Decree no. 2013/5148 published in the Official Gazette dated 31 July 2013 and numbered 28274, for such transactions with a tenor of two years or more, the Board of Directors of the Bank has been authorised to grant international loans under its sole discretion up to (including) U.S.$20 million. The fundamental collaterals of international loans are the sovereign guarantee of the related borrower country or the guarantee of the banks that are acceptable to the Bank. The limit of a country is restricted by both "maximum risk that can be undertaken" and the "maximum amount that can be utilised annually".

The Bank regularly reviews various reports of the OECD country risk classification, reports of the members of the International Union of Credit and Investment Insurers (Berne Union), reports of independent credit rating institutions, the financial statements of the borrower banks, and the country reports prepared by the Bank, during the assessment and review of the foreign country loans granted.

Each year a major portion of the commercial and political risks related to the Short Term Export Insurance Programme is transferred to international reinsurance companies under renewed agreements. According to the Article of Act no. 3332 that was appended by Act no. 4749 regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance

transactions as a result of political risks are covered by the Turkish Treasury. The Bank holds a portion of the commercial risks (currently 40 per cent.) that can be indemnified from its own sources.

Short-Term Export Credit Insurance premium rates differ according to criteria such as risk classification of the buyer's country, payment terms, credit length and the legal status of the buyer (private/public). The premium rates increase as the risk classification of the buyer's country is higher and/or as the payment terms are longer. The premium rates are revised regularly and are valid after the approval of the Board of Directors. The quotation strategy, which is the basis of determining the premium rates, is generated taking into account domestic market conditions, international quotations of export credit insurance services and the size of the past years' accumulated losses.

Intermediary Bank Loan Application and Approval Process

Borrowers eligible for the Bank's Pre-shipment Export Credits may apply through an appointed commercial bank. Currently, the Bank has granted approval for 35 Turkish commercial banks to offer these credits. Applications are reviewed by the commercial bank and approved applications are forwarded to the commercial bank's designated branch which in turn forwards them to the Bank for review.

If loans are approved, both the borrower and the intermediary bank will receive notification. The notification specifies the loan interest rate together with repayment terms. After the disbursement is made to the designated branch of the intermediary bank, the bank is supposed to transfer the funds to the exporting client's account on the same day. Beginning from the date of disbursement of the loan to the designated branch of the intermediary bank, the borrower is obliged to fulfil its export commitment within the credit period. The borrower must provide proof upon repayment of the loan that it has fulfilled its export commitment by providing the intermediary bank with a copy of its export declaration. If the exporter cannot prove that it exported the products against which the funds were lent, the exporter must pay a penalty, plus the banking and insurance transaction tax and other fees.

Direct Lending

Credit approval is centralised in the Credit Committee which meets weekly to decide on direct loan applications.

In 2017, the Bank implemented a new internal credit rating and scoring system under which it commenced preparation of Company Evaluation Reports ("TDRs") and consolidated evaluation reports on group companies. TDRs consists of two main parts, financial and non-financial quality assessments. The financial assessment focuses on the average ratios of each business sector, which are published by Central Bank. The non-financial assessment focuses on other factors, including payment behaviour of the relevant company, its affiliated companies and shareholders, age of the company and business experience of the shareholders, management capability, external effects such as foreign exchange risk, sectoral and political risks, working conditions and relations with suppliers, buyers and financial institutions.

Based on these and other criteria, the Credit Committee determines the structure of collateral required for each loan. Direct lending is generally secured by fundamental collateral in an amount of 100 per cent. of the principal, interest and the export commitment risk of the loan. Fundamental collateral is generally in the form of letter of bank guarantees, government securities and KGF guarantees.

Credit limits are monitored internally by the risk analysis department and the relevant department administering the programme under which the credit was extended through the Bank's IT systems. The following table sets forth the Bank's company credit limits for each of its short-term export credit programmes described in "*Business—Banking Activities—Short-Term Credits*":

Credit Programme	Limit
	(in millions of U.S.$)
PSEC (TL and FX)	25
Export Preparation Credit Programme (TL and FX)	25
Short–Term Export Receivables Discount Programme (TL and FX)	
– Foreign Trade Companies[(1)]	400
– Other Companies	350
Tourism Credit Programme	25
International Transportation Marketing Credit Programme	25

Note:

(1) For the Foreign Trade Companies Export Credit Programmes, different limits are granted to each company.

The Bank's credit rating system

Risk assessment of banks and other financial institutions

The Bank requests an independent auditor's report (over financial statements and notes) and net foreign currency position from banks and other financial institutions on a quarterly basis. Financial statement information derived from the audited financial statements of banks and other financial institutions is recorded into a database in a standard format, and percentage changes and ratios with respect to capital adequacy, asset quality, liquidity and profitability of the banks and other financial institutions are calculated. In addition, the standard ratios for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically taking into consideration the operations of the banking groups and acceptable intervals for standards ratios are set.

In accordance with standard ratios, the financial analysis groups are established by assigning grades from 1 to 4 to banks and other financial institutions. Group grade 1 consists of the lowest risk profile banks and financial institutions and group grade 4 consists of the highest risk profile banks and financial institutions.

In accordance with the financial analysis group of the banks and other financial institutions, the final risk groups are determined by considering qualitative factors such as shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and also information obtained from the media.

As at 30 June 2017, 31 December 2016, 31 December 2015 and 31 December 2014, loans granted by the Bank to domestic banks and other financial institutions amounted to TL 6.8 billion, TL 6.6 billion, TL 5.2 billion and TL 4.4 billion, respectively. The following table sets forth information on the risk rating classes of loans and advances to banks and financial institutions in accordance with the Bank's analysis as at 31 December 2016, 2015 and 2014.

		As at 31 December		
		2016	**2015**	**2014**
	Rating Class	**Concentration level**		
		%		
Low	1–2	65	67	62
Medium	3	23	25	17
High	4	12	8	21

Risk assessment of companies

In the risk evaluation of the companies, the Bank obtains financial and organisational information both from the companies and also from various sources (such as Central Bank records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Ministry of Economy, the Company Credit Bureau, the Banks Association of Turkey-Risk Center and, banks and companies operating in the same sector) and uses comprehensive investigation and verification methods. In addition to the analysis of the last three year financial statements of the companies, the Bank also analyses the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets and the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. In case the company is a member of a group of companies not organised as a holding company, the developments that affect the group's operations are monitored; outstanding bank debts of the group are also assessed; and company analysis reports are prepared taking into account the group risk as well. While third-party credit ratings or credit scores are available for some of the largest Turkish companies, they are typically not available for most Turkish companies.

The following table sets forth the classification and allowance percentages of the Bank's loans and advances to customers as a percentage of gross loans and advances to customers as at 31 December 2016, 2015 and 2014.

	As at 31 December		
	2016	**2015**	**2014**
	(in percentages)		
Standard loans	99.25	99.51	99.54
Loans under close monitoring	0.38	0.19	0.06
Loans under legal follow–up	0.37	0.30	0.04
Total	100.0	100.0	100.0

Credit exposures

The following table sets forth the Bank's maximum exposure to credit risk, including on- and off-balance sheet items, as at 31 December 2016, 2015 and 2014.

	As at 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Credit risk exposures relating to on-balance sheet assets:			
Banks	2,518,048	164,402	991,359
Interbank Money Market Placements	368,160	—	75,105
Loans to Domestic banks and other financial institutions	6,637,509	5,229,118	4,366,618
Loans to Foreign banks and other financial institutions	1,710,880	742,691	397,076
Loans to Companies and Individuals	53,172,072	37,187,317	27,126,170
Financial Assets at Fair Value Through Profit or Loss	10,678	10,593	51,283
Trading Derivative financial assets	118,603	3,712	20,641
Held-to-maturity	98,549	255,968	296,954
Fair Value Hedge	420,031	75,960	91,602
Cash Flow Hedge	40,280	29,178	—
Other assets	21,124	18,051	20,538
Credit risk exposures relating to off-balance sheet items:			
Financial guarantees	3,863,578	2,754,481	1,613,307
Commitments	—	—	—
Total	68,979,512	46,576,609	35,142,255

The following tables set forth the geographical distribution of the Bank's on-balance sheet assets exposed to credit risk as at 31 December 2016 and 31 December 2015:

	Risk Groups as at 31 December 2016								
	Conditional or Unconditional Receivables from Central Administrations or Central Banks	**Conditional or Unconditional Receivables from Banks and Intermediary Institutions**	**Conditional and Unconditional Corporate Receivables**	**Conditional and Unconditional Retail Receivables**	**Conditional and Unconditional Receivables Collateralised with Real Estate**	**Non-Performing Receivables (Net)**	**Stock Investments**	**Other Receivables (Net)**	**Total**
	(in thousands of TL)								
Domestic	2,240,500	20,475,314	56,794,099	2,775,441	16,392	89,303	21,124	2,695,177	85,107,350
European Union Countries[1]	—	1,817,088	1,514,725	466,366	—	—	—	—	3,798,179
OECD Countries[1]	—	6,769	195,465	48,711	—	—	—	—	250,945
Offshore Banking Regions	—	—	97,003	26,725	—	—	—	—	123,728
USA, Canada	—	55,159	188,268	28,822	—	—	—	—	272,249
Other Countries	1,615,901	24,536	727,598	152,613	—	—	—	—	2,520,648
Affiliate, Subsidiary and Jointly Controlled Partnerships	—	—	—	—	—	—	—	—	—
Undistributed Assets/Liabilities[2]	—	—	—	—	—	—	—	—	—
Total	3,856,401	22,378,866	59,517,158	3,498,678	16,392	89,303	21,124	2,695,177	92,073,099

Notes:

(1) EU countries, OECD countries except USA and Canada

(2) Assets and liabilities allocated to groups without a consistent basis

	Risk Groups as at 31 December 2015						
	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Collateralised with Real Estate	Other Receivables (Net)	Total
				(in thousands of TL)			
Domestic	1,291,666	13,520,126	37,422,093	1,288,479	18,084	1,053,143	54,593,591
European Union Countries[1]	—	62,915	1,280,181	211,225	—	—	1,554,321
OECD Countries[1]	—	908	186,333	20,193	—	—	207,434
Offshore Banking Regions	—	—	93,672	12,379	—	—	106,051
USA, Canada	—	32,955	154,565	12,765	—	—	200,285
Other Countries	640,295	102,467	549,385	64,919	—	—	1,357,066
Affiliate, Subsidiary and Jointly Controlled Partnerships	—	—	—	—	—	—	—
Undistributed Assets/Liabilities[2]	—	—	—	—	—	—	—
Total	1,931,961	13,719,371	39,686,229	1,609,960	18,084	1,053,143	58,018,748

Notes:

(1) EU countries, OECD countries except USA and Canada

(2) Assets and liabilities allocated to groups without a consistent basis

The following tables set forth the sectoral distribution of the Bank's on-balance sheet assets exposed to credit risk, as at 31 December 2016 and 31 December 2015:

	Sectoral distribution of loans as at 31 December 2016										
	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-Performing Receivables (Net)	Stock Investments	Other Receivables (Net)	TL	FX	Total
						(in thousands of TL)					
Sectors and third parties	—	—	—	—	—	—	—	—	—	—	—
Agriculture	—	754,426	5,990,054	290,755	—	9,482	—	—	896,647	6,148,070	7,044,717
Farming and Livestock	—	542,557	4,307,841	209,101	—	6,819	—	—	644,838	4,421,480	5,066,318
Forestry	—	127,622	1,013,301	49,185	—	1,604	—	—	151,680	1,040,032	1,191,712
Fishery	—	84,247	668,912	32,469	—	1,059	—	—	100,129	686,558	786,687
Industry	—	4,040,818	32,083,639	1,557,325	—	50,797	—	—	4,802,578	32,930,001	37,732,579
Mining and Quarry Sector	—				—		—	—			
Manufacturing Industry	—	3,705,254	29,419,296	1,427,999	—	46,578	—	—	4,403,754	30,195,373	34,599,127
Electric, Gas and Water	—	335,564	2,664,343	129,326	—	4,219	—	—	398,824	2,734,628	3,133,452
Construction	1,615,901	486,878	3,865,761	187,643	16,392	6,120	—	—	578,663	5,600,032	6,178,695
Services	—	15,988,621	12,449,323	604,284		19,711	21,124	—	4,405,136	25,677,927	29,083,063
Wholesale and retail trade	—	453,996	3,604,672	174,969		5,707		—	539,581	3,699,763	4,239,344
Hotel and Restaurant Services	—	—	—	—	—	—	—	—	—	—	—
Transportation and Communications	—	1,084,363	8,609,731	417,912	—	13,632	—	—	1,288,785	8,836,853	10,125,638
Financial institutions	—	14,420,675	—	—	—	—	21,124	—	2,541,605	11,900,194	14,441,799
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—	—	—
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—	—	—
Training Services	—	—	—	—	—	—	—	—	—	—	—
Health and Social Services	—	29,587	234,920	11,403	—	372	—	—	35,165	241,117	276,282

Sectoral distribution of loans as at 31 December 2016

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-Performing Receivables (Net)	Stock Investments	Other Receivables (Net)	TL	FX	Total
						(in thousands of TL)					
Other	2,240,500	1,108,123	5,128,381	858,671	—	3,153	—	2,695,177	1,224,227	10,809,818	12,034,045
Total	3,856,401	22,378,866	59,517,158	3,498,678	16,392	89,303	21,124	2,695,177	11,907,251	80,165,848	92,073,100

Sectoral distribution of loans as at 31 December 2015

	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables	Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Other Receivables (Net)	TL	FX	Total
				(in thousands of TL)					
Sectors and third parties									
Agriculture	—	1,686,407	4,721,784	161,753	—	40,946	1,098,979	5,511,911	6,610,890
Farming and Livestock	—	1,527,241	4,276,133	146,486	—	37,081	995,255	4,991,686	5,986,941
Forestry	—	159,166	445,651	15,267	—	3,865	103,724	520,225	623,949
Fishery	—	—	—	—	—	—	—	—	—
Industry	—	11,008,842	30,823,730	1,055,921	—	267,287	7,174,119	35,981,661	43,155,780
Mining and Quarry Sector	—	274,761	769,304	26,354	—	6,671	179,054	898,036	1,077,090
Manufacturing Industry	—	10,734,081	30,054,426	1,029,567	—	260,616	6,995,065	35,083,625	42,078,690
Electric, Gas and Water	—	—	—	—	—	—	—	—	—
Construction	640,295	—	—	—	18,084	—	—	658,379	658,379
Services	—	164,402	—	—	—	—	41,667	122,735	164,402
Wholesale and retail trade	—	—	—	—	—	—	—	—	—
Hotel and Restaurant Services	—	—	—	—	—	—	—	—	—
Transportation and Communications	—	—	—	—	—	—	—	—	—
Financial institutions	—	164,402	—	—	—	—	41,667	122,735	164,402
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—
Real Estate and Leasing Services	—	—	—	—	—	—	—	—	—
Training Services	—	—	—	—	—	—	—	—	—
Health and Social Services	—	—	—	—	—	—	—	—	—
Other	1,291,666	859,720	4,140,715	392,286	—	744,910	941,717	6,487,580	7,429,297
Total	1,931,961	13,719,371	39,686,229	1,609,960	18,084	1,053,143	9,256,482	48,762,266	58,018,748

Impairment and provisioning policies

The Bank reviews its loan portfolios to assess impairment on a quarterly basis and, while it is not required to comply with BRSA loan impairment requirements, it voluntarily follows the BRSA requirements in all respects in the Statutory Financial Statements.

The Bank has not set aside general provisions since September 2013 because it believes that its current level of general provisions is appropriate for the level of credit risk to which the Bank is exposed.

For insurance activities, the Bank additionally sets aside fixed collateral for the amount determined by the approval of the relevant Minister and variable collateral out of the definite rate of the premium income. In

case of claims payments, the Bank sets aside specific provisions based on the coverage rate indicated in the insurance policy out of quota Bank's share.

The following table sets forth information on the Bank's loans and advances to customers by credit status, as at 31 December 2016, 2015 and 2014:

	As at 31 December					
	2016		2015		2014	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
	(in thousands of TL)					
Standard loans	61,278,334	9,297	43,070,241	7,569	31,862,969	6,017
Loans under close monitoring	232,830	—	81,316	—	20,878	—
Loans under legal follow-up	233,087	—	131,688	—	127,478	—
Gross	61,744,251	9,297	43,283,245	7,569	32,011,325	6,017
Special Provision	(143,784)	—	(131,688)	—	(127,478)	—
Net	61,600,467	9,297	43,151,557	7,569	31,883,847	6,017

As at 30 June 2017, 31 December 2016 and 31 December 2015 the Bank did not have any repossessed collateral.

Market risk

Market risk can be defined as the risk of loss resulting from adverse changes in the financial markets in which the Bank operates. Exposure to such risk is a consequence of the Bank's financing and investment activities and arises from diverse factors affecting prices, such as the correlation between interest and exchange rates in different markets as well as the volatility in the levels of interest and exchange rates. The Board of Directors sets the maximum exposure limits for each category of investment. The relevant departments monitor the market risks and report on these risks to the Bank's Executive Committee.

The Bank marks to market all its Turkish lira and foreign currency marketable security positions as a result of its daily financial activities in order to be able to hedge market risk. In order to limit possible losses from market risk, the Bank applies maximum position limits, maximum daily transaction limits and stop/loss limits for all Turkish lira and foreign currency trading transactions, including marketable security transactions; such limits are approved by the Board of Directors.

The Bank calculates the amount subject to market risk, with respect to currency risk and interest rate risk, in accordance with the "Communique Related to Market Risk Measurement by Standard Method" ("Standard Method") issued by the BRSA. In accordance with such method, currency risk is reported weekly, and market risk, including both currency risk and interest rate risk, is reported monthly to the BRSA. The Bank has very limited holdings of equity securities, which as at 30 June 2017 amounted to TL 28.1 million.

Although the Bank generally carries a square foreign exchange currency position, in accordance with the general currency policy of the Bank, the Bank does calculate a capital requirement for the currency risk position of the Bank under the Standard Method.

Market Risk Sensitivity Tests

In accordance with the mission of the Bank, the Bank does not follow a profit-oriented strategy but rather follows a strategy aiming to avoid the eroding effects of inflation on the share capital by making a reasonable

amount of profit. Under this framework, necessary changes to loan interest rates are made considering the changes in cost of funds and market interest rates; changes in the interest rates are made using the expected year-end inflation levels as break-even point considering the return on equity at the same time. In this context, the sensitivity analysis is also prepared under various scenarios (optimist, pessimist and normal) and also under abnormal fluctuation (stress) assumptions which measure the sensitivity of the net profit to the changes in market interest rates and the Bank's loan interest rates. Moreover, possible losses arising from interest rate and foreign exchange risk are calculated under various scenarios and in order to minimise possible losses, the Bank undertakes swap transactions (especially currency and interest swaps).

The following table sets forth the average, maximum and minimum of calculated market risk during the years ended 31 December 2016, 31 December 2015 and 31 December 2014.

	As at 31 December 2016			As at 31 December 2015			As at 31 December 2014		
	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum
	(in thousands of TL)								
Interest Rate Risk	9,238	21,122	743	9,316	14,166	988	22,056	33,990	12,162
Share Certificate Risk	—	—	—	—	—	—	—	—	—
Currency Risk	5,597	14,604	1,146	4,854	10,106	12	104,343	123,577	4,815
Commodity Risk	—	—	—	—	—	—	—	—	—
Settlement Risk	—	—	—	—	—	—	—	—	—
Option Risk	3	31	—	50	260	—	84	219	—
Counterparty Credit Risk	1,011	6,216	—	3,720	6,258	776	1,324	2,714	559
Total Amount Subject to Risk	198,113	524,663	23,613	224,250	384,875	22,200	1,597,588	2,006,250	219,200

Currency risk

Foreign currency denominated assets and liabilities, together with lending and investment transactions, give rise to foreign exchange rate risk for the Bank on its results of operations, financial position and cash flows. The Bank's foreign exchange positions are monitored daily and transactions are required to be executed by authorised personnel within the limits determined by the risk management principles approved by the Board of Directors of the Bank.

Maturity mismatches are monitored periodically for U.S. Dollar-denominated assets and liabilities (separately in each foreign currency and in total in U.S. Dollars) and Turkish Lira-denominated assets and liabilities using tables showing weighted average days to maturity, which are prepared periodically. The mismatching of maturities between assets and liabilities is evaluated using these tables.

The Bank seeks to match its assets and liabilities in terms of currency, maturity and interest basis. Within this framework, the Bank seeks to manage its debt issuance in order to match the Bank's asset structure to the extent possible. In cases where this is not possible, the Bank seeks to match its assets and liabilities using cross-currency swaps, interest rate swaps or currency swaps, or by adjusting the structure of its assets, to the extent possible.

Exchange rate risk for each currency is separately monitored on a daily basis. The effects of the Bank's activities and market conditions on positions are closely monitored and measures deemed necessary are taken promptly. Taking into account that all of the Bank's borrowed funds are denominated in foreign currencies, the Bank engages in Turkish Lira against foreign currency (FX/Turkish Lira) and foreign currency against foreign currency (FX/FX) operations on a daily basis in order to manage foreign currency exposure.

The Bank is permitted to accept a degree of foreign currency exposure within guidelines specified by the BRSA. Under these guidelines the ratio of the net long/short position (the difference between foreign currency liabilities and assets) to net worth must be no more than 20 per cent. However, the Bank prefers to maintain a square position. See the tables below for information on the Bank's net balance sheet position in foreign currencies as at 30 June 2017, 31 December 2016, 31 December 2015 and 31 December 2014.

The tables below set forth the Bank's exposure to foreign currency exchange rate risk as at 30 June 2017, 31 December 2016, 31 December 2015 and 31 December 2014. The tables include the Bank's assets, liabilities and equity at their respective carrying amounts, categorised by currency.

	As at 30 June 2017			
	EUR	**USD**	**Other FX**	**Total**
	(in thousands of TL)			
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	562,128	—	—	562,128
Banks	391,494	1,508,266	10,330	1,910,090
Financial Assets at Fair Value Through Profit or Loss[1]	—	—	—	—
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	33,619,685	23,779,560	106,306	57,505,551
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets	—	71,629	—	71,629
Tangible Assets	—	—	—	—
Intangible Assets	—	—	—	—
Other Assets	259,003	132,743	59,298	451,044
Total Assets	34,832,310	25,492,198	175,934	60,500,442
Liabilities				
Bank Deposits	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	28,049,452	26,546,041	827,151	55,422,644
Marketable Securities Issued	—	7,871,159	—	7,871,159
Miscellaneous Payables	217,321	257,826	1,799	476,946
Derivative Financial Debts with an aim of Hedging	—	109,686	—	109,686
Other Liabilities	149,500	247,980	336	397,816
Total Liabilities	28,416,273	35,032,692	829,286	64,278,251
Net on Balance Sheet Position	6,416,037	(9,540,494)	(653,352)	3,777,809)

	As at 30 June 2017			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Net off Balance Sheet Position	(6,408,426)	9,597,913	654,070	3,843,557
Financial Derivative Assets	544,380	17,023,722	747,249	18,315,351
Financial Derivative Liabilities.....	6,952,806	7,425,809	93,179	14,471,794
Non-Cash Loans (Export Credit Insurance).	112,177	4,858,647	246	4,971,070

Note:

(1) Based on provisions of "Regulation about consolidated and unconsolidated basis calculation and implementation of foreign currency net general position/ equity standard ratio by banks", derivative financial instruments foreign currency rediscount income amounting to TL 9,402 and financial derivative rediscount expense amounting to TL 204,240 are not taken into consideration on foreign currency risk calculation.

For purposes of the table above, at 30 June 2017, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 3.5184 = U.S.$1 and TL 4.0152 = EUR 1.

	As at 31 December 2016			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased).....	370,004	—	—	370,004
Banks	382,560	2,006,163	8,788	2,397,511
Financial Assets at Fair Value Through Profit or Loss(1)	—	—	—	—
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	27,669,329	25,844,659	49,989	53,563,977
Investments in Associates, Subsidiaries and Joint Ventures.....	—	—	—	—
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets.....	—	105,554	—	105,554
Tangible Assets.....	—	—	—	—
Intangible Assets.....	—	—	—	—
Other Assets.....	1,854,896	170,656	140,637	2,166,189
Total Assets	30,276,789	28,127,032	199,414	58,603,235
Liabilities.....				
Bank Deposits.....	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—

	As at 31 December 2016			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Funds Borrowed From Other Financial Institutions	24,342,524	26,635,726	740,595	51,718,845
Marketable Securities Issued	—	7,827,323	—	7,827,323
Miscellaneous Payables	2,287,738	342,654	104,205	2,734,597
Derivative Financial Debts with an aim of Hedging	—	149,014	—	149,014
Other Liabilities	5,203	273,280	216	278,699
Total Liabilities	26,635,465	35,227,997	845,016	62,708,478
Net on Balance Sheet Position	3,641,324	(7,100,965)	(645,602)	(4,105,243)
Net off Balance Sheet Position	(3,636,425)	7,205,240	643,601	4,212,416
Financial Derivative Assets	740	13,547,726	715,642	14,264,108
Financial Derivative Liabilities	3,637,165	6,342,486	72,041	10,051,692
Non-Cash Loans	52,968	3,810,377	233	3,863,578

Note:

(1) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Income Accruals of Derivative Financial Instruments TL 116,578 and Foreign Currency Expense Accruals of Derivative Financial Instruments TL 41,105 are not included.

For purposes of the table above, at 31 December 2016, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 3.5208 = U.S.$1 and TL 3.7000 = EUR 1.

	As at 31 December 2015			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	—	—	—	—
Banks	12,851	106,599	3,285	122,735
Financial Assets at Fair Value Through Profit or Loss	—	2,918	5	2,923
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	15,330,721	20,834,951	32,058	36,197,730
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—

	As at 31 December 2015			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Held-to-maturity Investments	—	—	—	—
Hedging Derivative Financial Assets	—	79,868	—	79,868
Tangible Assets	—	—	—	—
Intangible Assets	—	—	—	—
Other Assets	513,163	86,131	24	599,318
Total Assets	15,856,735	21,110,467	35,372	37,002,574
Liabilities				
Bank Deposits	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	14,175,231	18,757,985	4,924	32,938,140
Marketable Securities Issued	—	5,088,218	—	5,088,218
Miscellaneous Payables	656,498	228,751	2	885,251
Derivative Financial Debts with an aim of Hedging	—	9,969	—	9,969
Other Liabilities	1,615	203,527	55	205,197
Total Liabilities	14,833,344	24,288,450	4,981	39,126,775
Net on Balance Sheet Position	1,023,391	(3,177,983)	30,391	(2,124,201)
Net off Balance Sheet Position	(1,010,867)	2,856,146	(27,843)	1,817,436
Financial Derivative Assets	—	6,417,737	—	6,417,737
Financial Derivative Liabilities	1,010,867	3,561,591	27,843	4,600,301
Non-Cash Loans	8,411	2,746,070	—	2,754,481

For purposes of the table above, at 31 December 2015, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.9132 = U.S.$1 and TL 3.1821 = EUR 1.

	As at 31 December 2014			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	—	—	—	—
Banks	57,752	580,065	5,489	643,306
Financial Assets at Fair Value Through Profit or Loss	—	25,552	579	26,131

	As at 31 December 2014			
	EUR	**USD**	**Other FX**	**Total**
		(in thousands of TL)		
Interbank Money Market Placements	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—
Loans	8,652,615	16,815,765	26,277	25,494,657
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held-to-maturity Investments	—	47,573	—	47,573
Hedging Derivative Financial Assets	—	10,242	—	10,242
Tangible Assets	—	—	—	—
Intangible Assets	—	—	—	—
Other Assets	200,871	47,889	29	248,789
Total Assets	8,911,238	17,527,086	32,374	26,470,698
Liabilities				
Bank Deposits	—	—	—	—
Foreign Currency Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Funds Borrowed From Other Financial Institutions	7,799,172	16,447,130	5,041	24,251,343
Marketable Securities Issued	—	4,054,191	—	4,054,191
Miscellaneous Payables	256,376	203,985	472	460,833
Derivative Financial Debts with an aim of Hedging	—	17,394	—	17,394
Other Liabilities	6,248	192,698	4	198,950
Total Liabilities	8,061,796	20,915,398	5,517	28,982,711
Net on Balance Sheet Position	849,442	(3,388,312)	26,857	(2,512,013)
Net off Balance Sheet Position	(493,626)	3,060,646	(15,257)	2,551,763
Financial Derivative Assets	3,306	5,880,419	—	5,883,725
Financial Derivative Liabilities	496,932	2,819,773	15,257	3,331,962
Non-Cash Loans	4,860	1,608,447	—	1,613,307

For purposes of the table above, at 31 December 2014, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.3249 = U.S.$1 and TL 2.8255 = EUR 1.

As at 30 June 2017 and as at 31 December 2016, 2015 and 2014, the effect of the devaluation of TL by 10 per cent. against other currencies mentioned below, on net profit and equity of the Bank, are presented in the table below. The analysis covers all foreign currency denominated assets and liabilities. The other variables, especially interest rates are assumed to be fixed.

	As at 30 June		As at 31 December					
	2017		2016		2015		2014	
	Gain/ (Loss) Effect	Effect on Equity[1]	Gain/ (Loss) Effect	Effect on Equity[1]	Gain/ (Loss) Effect	Effect on Equity[1]	Gain/ (Loss) Effect	Effect on Equity[1]
				(in thousands of TL)				
USD	5,742	5,742	9,231	10,427	7,463	8,601	(33,905)	(32,767)
EUR	761	761	490	490	1,252	1,252	35,582	35,582
JPY	—	—	—	—	—	—	—	—
Other currencies	72	72	(200)	(200)	255	255	1,160	1,160
Total	6,575	6,575	9,521	10,717	8,970	10,108	2,837	3,975

Note:

(1) Effect on equity also includes effect on net profit.

As at 30 June 2017 and as at 31 December 2016, 2015 and 2014, the effect of the appreciation of TL by 10 per cent. against other currencies, with all other variables held constant, on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

Interest rate risk

The Bank estimates the effects of changes in interest rates on the profitability of the Bank by analysing its TL and foreign currency denominated, interest sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analysing their weights across the Bank's total assets and liabilities. Long or short positions arising from interest rate risk are determined by currency at specified maturity intervals (up to 1 month, 1 month to 3 months, 3 months to 1 year, 1 year to 5 years and over 5 years) using the period remaining to repricing date, considering that the repricing of TL and foreign currency-denominated, interest sensitive assets and liabilities will occur at the maturity date (in the case of fixed rate assets and liabilities) or at interest payment dates (for floating rate assets and liabilities). By classifying interest sensitive assets and liabilities according to their repricing dates, the Bank's exposure to possible variations in market interest rates is determined and the interest sensitive gap or surplus for each period remaining to contractual repricing dates is calculated. The resulting gap report is used to estimate how the Bank will be affected by potential market rate changes.

According to the risk management policy approved by the Board of Directors, the Bank emphasises the matching of assets and liabilities with fixed and floating interest rates in different currencies. The Bank also pays special attention to the level of maturity mismatch of assets and liabilities with floating and fixed interest rates in relation to the asset size of the Bank, in order to limit the negative effects of interest rate changes on the Bank's profitability. In that regard, under the risk management policy approved by the Board of Directors, there is a 20 per cent. maximum limit on the ratio of mismatches of floating/fixed interest-bearing assets and liabilities to the total assets of the Bank.

Currently the Bank matches medium and long-term floating interest-bearing foreign currency denominated assets to fixed interest-bearing liabilities denominated in another foreign currency by using interest rate and cross currency swaps. In addition, interest rate swaps have been used to cover the mismatch between medium and long-term fixed rate bearing U.S.$ assets and medium and long-term U.S.$ liabilities.

Pricing of interest-bearing assets and liabilities

Interest rates for the Bank's loans are determined by the Bank in accordance with developments in the markets and vary according to repayment period and the total outstanding credit risk of the borrower. For short-term TL- and foreign currency-denominated export credits, the Bank's pricing policy is to provide funding to exporters below local money market rates in order to assist them in funding their working capital needs and to help support and promote Turkish exports. In the six months ended 30 June 2017, the Bank estimates that it offered interest rates that were more than 3 percentage points below market rates. As its non-interest bearing Turkish Lira denominated capital base is its main source of funding for Turkish Lira-denominated loans, the Bank earns a positive lending spread on this type of lending.

The Bank varies the rate of interest charged on its medium- and long-term loans based upon the maturity and the project being funded. The Bank aims to earn a positive spread over its average weighted cost of funds, allowing it to fully cover its overhead costs, but does not necessarily seek to earn a significant profit.

Unlike commercial banks, the Bank does not accept any retail or corporate deposits. A substantial portion of the Bank's funding consists of capital contributions. As at 30 June 2017, the Bank gained on its short-term TL denominated loans a weighted average interest rate of 6.7 per cent. The average yield of treasury bonds (the maturity of treasury bonds is in accordance with the Bank's maturity structure) was 11.1 per cent. as at 30 June 2017. At that date the interest rates of TL denominated CBRT sourced loans were 12 per cent. Turkish exporters also pay fees and commissions to intermediate banks and for bank guarantees to maintain the Bank's 100 per cent. collateralisation requirements in its direct credits.

As at 30 June 2017, the Bank charged on its foreign currency denominated total loans a weighted average interest rate of LIBOR plus 1.48 per cent., which was higher than its average foreign exchange funding costs, which as at 30 June 2017 were LIBOR plus 1.11 per cent.

Interest rate repricing gap analysis

The following tables set forth the carrying amounts of the Bank's assets and liabilities, classified in terms of periods remaining to contractual repricing dates, as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017						
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	(in thousands of TL)						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)						562,345	562,345
Banks	2,163,471					178,687	2,342,158
Financial Assets at Fair Value Through Profit/Loss	832	170	2,339		17,380		20,721
Interbank Money Market Placements	286,136						286,136
Available-for-sale Financial Assets						28,142	28,142
Loans[1]	7,469,718	16,247,699	41,976,371	357,385		95,601	66,146,774
Held-to-maturity Investments	13,483		151,754	80,818			246,055
Other Assets	4,221		71,820			989,196	1,065,237
Total Assets	9,937,861	16,247,869	42,202,284	438,203	17,380	1,853,971	70,697,568
Liabilities							

	As at 30 June 2017						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Bank Deposits							
Other Deposits							
Funds From Interbank Money Market	160,000						160,000
Miscellaneous Payables		—	7,255	2,774		481,998	492,027
Issued Marketable Securities		1,754,584	4,339,118	1,777,457	—		7,871,159
Funds Borrowed from other Financial Institutions	6,653,640	12,750,093	36,168,911	—	—		55,572,644
Other Liabilities(2)	62,005	112,425	218,940	132,378	813	6,075,177	6,601,738
Total Liabilities	6,875,645	14,617,102	40,734,224	1,912,609	813	6,557,175	70,697,568
Balance Sheet Long Position	3,062,216	1,630,767	1,468,060		16,567		6,177,610
Balance Sheet Short Position				(1,474,406)	—	(4,703,204)	(6,177,610)
Off-Balance Sheet Long Position	3,483,385	4,163,930	8,076,231	2,603,770	—		18,327,316
Off-Balance Sheet Short Position	(3,531,718)	(4,255,412)	(8,226,818)	(2,729,268)	—		(18,743,216)
Total Position	3,013,883	1,539,285	1,317,473	(1,599,904)	16,567	(4,703,204)	(415,900)

Notes:

(1) In loans line the "non-interest bearing" column amounting to TL 95,601 consists of the net value of the loans under follow-up.

(2) In other liabilities line the "non-interest bearing" column amounting TL 6,075,177 includes equity amounting to TL 5,475,851 and provisions amounting to TL 253,197.

	As at 31 December 2016						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—	—	370,991	370,991
Banks	2,133,055	—	—	—	—	384,993	2,518,048
Financial Assets at Fair Value Through Profit/Loss	118,590	13	—	2,051	8,627	—	129,281
Interbank Money Market Placements	368,160	—	—	—	—	—	368,160
Available-for-sale Financial Assets	—	—	—	—	—	21,124	21,124
Loans	11,352,636	16,689,889	32,995,452	482,484	—	89,303	61,609,764
Held-to-maturity Investments	59,395	—	39,154	—	—	—	98,549
Other Assets	44,475	96,426	236,812	82,598	—	2,700,086	3,160,397
Total Assets	14,076,311	16,786,328	33,271,418	567,133	8,627	3,566,497	68,276,314
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—

	As at 31 December 2016						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Funds From Interbank Money Market	69,000	—	—	—	—	—	69,000
Miscellaneous Payables	—	—	8,780	—	—	2,738,668	2,747,448
Issued Marketable Securities	—	1,741,212	4,308,080	1,778,031	—	—	7,827,323
Funds Borrowed from other Financial Institutions	3,679,258	16,297,728	29,095,987	2,645,872	—	—	51,718,845
Other Liabilities[(1)]	9,232	51,183	189,543	38,416	—	5,625,324	5,913,698
Total Liabilities	3,757,490	18,090,123	33,602,390	4,462,319	—	8,363,992	68,276,314
Balance Sheet Long Position	10,318,821	—	—	—	8,627	—	10,327,448
Balance Sheet Short Position	—	(1,303,795)	(330,972)	(3,895,186))	—	(4,797,495)	(10,327,448)
Off-Balance Sheet Long Position	3,108,334	4,666,413	4,750,032	—	—	—	12,524,779
Off-Balance Sheet Short Position	(3,074,717)	(4,667,193)	(4,831,424)	—	—	—	(12,573,334)
Total Position	10,352,438	(1,304,575)	(412,364)	(3,895,186)	8,627	(4,797,495)	(48,555)

Note:

(1) In other liabilities line the "non-interest bearing" column amounting TL 5,625,324 includes equity amounting to TL 5,200,734 and provisions amounting to TL 230,229.

	As at 31 December 2015						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—	—	1,227	1,227
Banks	146,366	—	—	—	—	18,036	164,402
Financial Assets at Fair Value Through Profit/Loss	678	287	2,747	1,963	8,630	—	14,305
Interbank Money Market Placements	—	—	—	—	—	—	—
Available-for-sale Financial Assets	—	—	—	—	—	18,051	18,051
Loans	5,876,095	11,989,871	24,590,526	693,138	9,496	—	43,159,126
Held-to-maturity Investments	59,399	—	186,633	9,936	—	—	255,968
Other Assets	679	287	2,747	—	—	821,003	824,716
Total Assets	6,083,217	11,990,445	24,782,653	705,037	18,126	858,317	44,437,795
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—
Funds From Interbank Money Market	200,000	—	—	—	—	—	200,000
Miscellaneous Payables	—	—	5,084	5,085	—	888,178	898,347

	As at 31 December 2015						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Issued Marketable Securities..	—	—	3,560,744	57,340	1,470,134	—	5,088,218
Funds Borrowed from other Financial Institutions.....	2,983,845	12,326,037	17,678,368	—	—	—	32,988,250
Other Liabilities[(1)]	7,094	2,562	161,001	—	—	5,092,323	5,262,980
Total Liabilities	3,190,939	12,328,599	21,405,197	62,425	1,470,134	5,980,501	44,437,795
Balance Sheet Long Position..	2,892,278	—	3,377,456	642,612	—	—	6,912,346
Balance Sheet Short Position..	—	(338,154)	—	—	(1,452,008)	(5,112,184)	(6,912,346)
Off-Balance Sheet Long Position.....	461,561	871,815	5,621,568	—	—	—	6,954,944
Off-Balance Sheet Short Position.....	(455,399)	(874,744)	(5,649,679)	—	—	—	(6,979,822)
Total Position.....	2,898,440	(341,083)	3,349,345	642,612	(1,452,008)	(5,122,184)	(24,878)

Note:

(1) In other liabilities line the "non-interest bearing" column amounting to TL 5,092,323 include equity amounting to TL 4,780,705 and provisions amounting to TL 223,922.

	As at 31 December 2014						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT.....	—	—	—	—	—	289	289
Banks	980,520	—	—	—	—	10,839	991,359
Financial Assets at Fair Value Through Profit/Loss	9,270	237	42,073	1,964	18,380	—	71,924
Interbank Money Market Placements	75,105	—	—	—	—	—	75,105
Available-for-sale Financial Assets.....	—	—	—	—	—	20,538	20,538
Loans	6,289,033	9,537,730	15,431,701	631,400	—	—	31,889,864
Held-to-maturity Investments.	59,164	47,573	187,164	3,053	—	—	296,954
Other Assets.....	27,934	32,881	20,545	10,242	—	304,642	396,244
Total Assets.....	7,441,026	9,618,421	15,681,483	646,659	18,380	336,308	33,742,277
Liabilities							
Bank Deposits	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—
Funds From Interbank Money Market.....	220,064	—	—	—	—	—	220,064
Miscellaneous Payables.....	—	96	13,783	—	—	478,197	492,076
Issued Marketable Securities..	—	1,172,409	2,835,089	46,693	—	—	4,054,191
Funds Borrowed from other Financial Institutions.....	1,495,144	12,046,493	10,709,706	—	—	—	24,251,343

	As at 31 December 2014						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	(in thousands of TL)						
Other Liabilities[1]	5,802	1,075	154,811	—	—	4,562,915	4,724,603
Total Liabilities	1,721,010	13,220,073	13,713,389	46,693	—	5,041,112	33,742,277
Balance Sheet Long Position	5,720,016	—	1,968,094	599,966	—	—	8,288,076
Balance Sheet Short Position	—	(3,601,652)	—	—	18,380	(4,704,804)	(8,288,076)
Off-Balance Sheet Long Position	1,187,357	858,629	3,847,712	—	—	—	5,893,698
Off-Balance Sheet Short Position	(1,158,180)	(835,102)	(3,845,025)	—	—	—	(5,838,307)
Total Position	5,749,193	(3,578,125)	1,970,781	599,966	18,380	(4,704,804)	55,391

Note:

(1) In other liabilities line TL 4,562,915 the "non-interest bearing" column, includes equity amounting to TL 4,314,915 and provisions amounting to TL 182,768.

Interest rate sensitivity

The following tables set forth the average interest rates by major currencies for monetary financial instruments of the Bank as at 30 June 2017 and at 31 December 2016, 2015 and 2014:

	As at 30 June 2017				
	EUR	USD	GBP	YEN	TL
	(in percentages)				
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—	—
Banks	0.02	0.97	—	—	11.62
Financial Assets at Fair Value Through Profit/Loss	—	—	—	—	8.43
Interbank Money Market Placements	—	—	—	—	12.17
Available-for-sale Financial Assets	—	—	—	—	—
Loans	1.25	2.18	1.45	1.07	8.36
Held-to-maturity Investments	—	—	—	—	11.16
Liabilities			—		
Bank Deposits	—	—	—	—	—
Other Deposits	—	—	—	—	—
Funds From Interbank Money Market	—	—	—	—	11.95
Miscellaneous Payables	—	—	—	—	—
Issued Marketable Securities	—	5.38	—	—	—
Funds Borrowed from other Financial Institutions	0.53	1.22	1.18	1.70	—

	As at 31 December 2016			
	EUR	USD	YEN	TL
		(in percentages)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT....	—	0.40	—	—
Banks.....	0.09	0.54	—	9.82
Financial Assets at Fair Value Through Profit/Loss	—	—	—	8.30
Interbank Money Market Placements	—	—	—	10.29
Available-for-sale Financial Assets	—	—	—	—
Loans	1.54	2.09	1.68	8.41
Held-to-maturity Investments	—	—	—	10.72
Liabilities				
Bank Deposits.....	—	—	—	—
Other Deposits.....	—	—	—	—
Funds From Interbank Money Market.....	—	—	—	8.82
Miscellaneous Payables	—	—	—	—
Issued Marketable Securities	—	5.38	—	—
Funds Borrowed from other Financial Institutions	0.55	0.98	1.70	—

	As at 31 December 2015			
	EUR	USD	YEN	TL
		(in percentages)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT.....	—	—	—	—
Banks.....	0.30	0.36	—	10.77
Financial Assets at Fair Value Through Profit/Loss	—	4.44	—	6.02
Interbank Money Market Placements	—	—	—	10.30
Available-for-sale Financial Assets	—	—	—	—
Loans	1.68	1.80	1.93	7.91
Held-to-maturity Investments	—	6.81	—	10.00
Liabilities	—	—	—	—
Bank Deposits.....	—	—	—	—
Other Deposits.....	—	—	—	—
Funds From Interbank Money Market.....	—	—	—	10.11
Miscellaneous Payables	—	—	—	—

	As at 31 December 2015			
	EUR	**USD**	**YEN**	**TL**
		(in percentages)		
Issued Marketable Securities	—	5.35	—	—
Funds Borrowed from other Financial Institutions	0.61	0.64	—	11.35

	As at 31 December 2014			
	EUR	**USD**	**YEN**	**TL**
		(in percentages)		
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	—	—	—	—
Banks	0.36	0.43	—	9.95
Financial Assets at Fair Value Through Profit/Loss	—	4.57	—	5.89
Interbank Money Market Placements	—	—	—	10.15
Available-for-sale Financial Assets	—	—	—	—
Loans	1.85	1.69	2.11	7.58
Held-to-maturity Investments	—	6.81	—	10.09
Liabilities	—	—	—	—
Bank Deposits	—	—	—	—
Other Deposits	—	—	—	—
Funds From Interbank Money Market	—	—	—	—
Miscellaneous Payables	—	—	—	—
Issued Marketable Securities	—	3.78	—	—
Funds Borrowed from other Financial Institutions	0.91	0.65	—	—

The tables below present a sensitivity analysis of the Bank's statement of comprehensive income to the effect of changes in the interest rates on the net interest income of floating rate financial assets and liabilities at 30 June 2017 and as at 31 December 2016. The sensitivity of the Bank's shareholders' equity at 30 June 2017 and as at 31 December 2016 is calculated through revaluating the financial assets available-for-sale taking into account the possible changes in interest rates, where applicable. The tax effects are not considered in the analysis. The other variables, especially exchanges rates, are assumed to be fixed in this analysis.

		As at 30 June 2017		As at 31 December 2016	
	Applied Shock (+/- basis points)	**Gains/ (losses) (in thousands of TL)**	**Gains/ shareholders' equity – (losses)/ shareholders' equity (%)**	**Gains/(losses) (in thousands of TL)**	**Gains/ shareholders' equity – (losses)/ shareholders' equity (%)**
TL..	500	(106,448)	(1.90)	(97,182)	(1.82)
	(400)	92,180	1.65	83,659	1.57
EUR	200	(48,165)	(0.86)	(11,250)	(0.21)
	(200)	22.190	0.40	1,379	0.03
USD	200	162,472	2.90	150,330	2.82
	(200)	(177,513)	(3.17)	(164,315)	(3.08)
Total for negative shocks		7,859	0.14	(79,277)	(1.48)
Total for positive shocks		(63,143)	(1.13)	41,898	(0.79)

Note:

(1) Information derived from management accounts.

Liquidity risk

A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments and to satisfy the Bank's own liquidity needs. The Bank measures and manages its cash flow commitments on a daily basis, and maintains a level of liquid assets determined by the Board of Directors to be sufficient to meet its commitments.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity management of the Bank. The ability to fund the Bank's existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities and the availability of funding is ensured by maintaining an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks to be completely matched since the maturity, interest rates and the types of business transactions are different. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank uses TL and foreign currency cash flow schedules prepared weekly, monthly and annually in the liquidity management decision making process. In order to manage risks to its liquidity from interest and exchange rate exposure, the Bank's funding strategy is generally to match asset and liability maturities to the extent possible. The Bank tries to minimise mismatches by financing short-term loans with short-term funds and long-term loans with long-term funds.

Long-term lending requirement is generally met by funds raised from international financial institutions such as the World Bank and may include the issuance of bonds in the international capital markets.

The following tables set forth, as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, the assets and liabilities of the Bank by relevant maturity grouping based on the remaining period, as at the applicable balance sheet date, to the contractual maturity dates.

As at 30 June 2017

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
				(in thousands of TL)				
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	562,345							562,345
Banks	178,687	2,163,471						2,342,158
Financial Assets at Fair Value Through Profit or Loss		832	115	2,386	8	17,380		20,721
Interbank Money Market Placements		286,136						286,136
Available-for-sale Financial Assets	28,142							28,142
Loans[2]		4,106,679	9,892,734	34,787,824	16,300,585	963,351	95,601	66,146,774
Held-to-maturity Investments		13,483		151,754	80,818			246,055
Other Assets		4,220		192	71,629		989,196	1,065,237
Total Assets	769,174	6,574,821	9,892,849	34,942,156	16,453,040	980,731	1,084,797	70,697,568
Liabilities								
Bank Deposits								
Other Deposits								
Funds Borrowed From Other Financial Institutions		5,100,824	7,612,162	30,896,567	7,775,834	4,187,257		55,572,644
Funds From Interbank Money Market		160,000						160,000
Marketable Securities Issued					6,159,387	1,711,772		7,871,159
Miscellaneous Payables				7,255	2,774		481,998	492,027
Other Liabilities[3][4]		62,005	74,157	126,011	122,385	142,003	6,075,177	6,601,738
Total Liabilities		5,322,829	7,686,319	31,029,833	14,060,380	6,041,032	6,557,175	70,697,568
Liquidity Gap	769,174	1,251,992	2,206,530	3,912,323	2,392,660	(5,060,301)	(5,472,378)	

Notes:

(1) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment and intangible assets, prepaid expenses, miscellaneous receivables and other assets are classified in this column.

(2) In loans line the "unallocated" column amounting to TL 95,601 consists of the book value of the loans under follow-up.

(3) Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as shareholders' equity, provisions and miscellaneous payables are classified in this column.

(4) In other liabilities line amount of TL 6,075,177 in the "unallocated" column, includes shareholders' equity amounting to TL 5,475,851 and provisions amounting to TL 253,197.

As at 31 December 2016

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
				(in thousands of TL)				
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and	370,991							370,991

	As at 31 December 2016							
	Demand	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Unallocated**[1]	**Total**
	(in thousands of TL)							
CBRT								
Banks	384,993	2,133,055	—	—	—	—	—	2,518,048
Financial Assets at Fair Value Through Profit or Loss	—	2,171	12	—	118,470	8,628	—	129,281
Interbank Money Market Placements	—	368,160	—	—	—	—	—	368,160
Available-for-sale Financial Assets	21,124	—	—	—	—	—	—	21,124
Loans[2]	—	7,568,774	10,987,395	27,633,671	14,468,494	862,127	89,303	61,609,764
Held-to-maturity Investments	—	45,820	—	52,729	—	—	—	98,549
Other Assets	—	44,474	71,032	130,830	105,553	108,422	2,700,086	3,160,397
Total Assets	777,108	10,162,454	11,058,439	27,817,230	14,692,517	979,177	2,789,389	68,276,314
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions	—	448,559	12,128,387	25,535,023	6,668,277	6,938,599	—	51,718,845
Funds From Interbank Money Market	—	69,000	—	—	—	—	—	69,000
Marketable Securities Issued	——	—	90,558	331,532	6,146,454	1,258,779	—	7,827,323
Miscellaneous Payables	—	—	—	8,780	—	—	2,738,668	2,747,448
Other Liabilities[3][4]	—	9,232	580	43,127	124,665	110,770	5,625,324	5,913,698
Total Liabilities	—	526,791	12,219,525	25,918,462	12,939,396	8,308,148	8,363,992	68,276,314
Net Liquidity Gap	777,108	9,635,663	(1,161,086)	1,898,768	1,753,121	(7,328,971)	(5,574,603)	—

Notes:

(1) Assets such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets are classified in this column.

(2) Loans consist of net value of non-performing loans at "non-interest bearing" column amounting TL 89,303 the book value of the loans under follow-up.

(3) Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as equity, provisions and miscellaneous payables are classified in this column.

(4) In other liabilities line amount of TL 5,625,324 in the "unallocated" column, includes the shareholders' equity amounting to TL 5,200,734 and provisions amounting to TL 230,229 mainly.

	As at 31 December 2015							
	Demand	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Unallocated**[1]	**Total**
	(in thousands of TL)							
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	1,227	—	—	—	—	—	—	1,227
Banks	18,036	146,366	—	—	—	—	—	164,402
Financial Assets at Fair Value Through Profit or Loss	—	679	287	431	1,962	10,946	—	14,305

	As at 31 December 2015							
	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
	(in thousands of TL)							
Interbank Money Market Placements	—	—	—	—	—	—	—	—
Available-for-sale Financial Assets	18,051	—	—	—	—	—	—	18,051
Loans	—	3,699,937	7,744,013	20,309,902	11,276,158	129,116	—	43,159,126
Held-to-maturity Investments	—	—	—	157,332	98,636	—	—	255,968
Other Assets	—	7,726	13,940	10,352	73,119	—	719,579	824,716
Total Assets	37,314	3,854,708	7,758,240	20,478,017	11,449,875	140,062	719,579	44,437,795
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions	—	607,356	10,667,836	17,247,401	2,833,651	1,632,006	—	32,988,250
Funds From Interbank Money Market	—	200,000	—	—	—	—	—	200,000
Marketable Securities Issued	—	—		1,448,498	2,169,586	1,470,134	—	5,088,218
Miscellaneous Payables	—	—	—	5,084	5,085	—	888,178	898,347
Other Liabilities[2]	—	7,094	2,550	78,619	82,394	—	5,092,323	5,262,980
Total Liabilities	—	814,450	10,670,386	18,779,602	5,090,716	3,102,140	5,980,501	44,437,795
Net Liquidity Gap	37,314	3,040,258	(2,912,146)	1,698,415	6,359,159	(2,962,078)	(5,260,922)	

Notes:

(1) Assets and liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets and shareholders' equity, provisions and miscellaneous payables, are classified in this column.

(2) In other liabilities line amount of TL 5,092,323 in the "unallocated" column, includes the shareholders' equity amounting to TL 4,780,705 and provisions amounting to TL 223,922.

	As at 31 December 2014							
	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
	(in thousands of TL)							
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	289	—	—	—	—	—	—	289
Banks	10,839	980,520	—	—	—	—	—	991,359
Financial Assets at Fair Value Through Profit or Loss	—	9,271	223	26,287	17,763	18,380	—	71,924
Interbank Money Market Placements	—	75,105	—	—	—	—	—	75,105
Available-for-sale Financial Assets	20,538	—	—	—	—	—	—	20,538
Loans	—	5,490,584	7,543,809	13,576,549	5,205,120	73,802	—	31,889,864
Held-to-maturity Investments	—	—	47,572	157,766	91,616	—	—	296,954

	As at 31 December 2014							
	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
	(in thousands of TL)							
Other Assets	—	27,934	32,881	20,545	10,242	—	304,642	396,244
Total Assets	31,666	6,583,414	7,624,485	13,781,147	5,324,741	92,182	304,642	33,742,277
Liabilities								
Bank Deposits	—	—	—	—	—	—	—	—
Other Deposits	—	—	—	—	—	—	—	—
Funds Borrowed From Other Financial Institutions	—	63,766	10,986,027	11,590,327	602,525	1,008,698	—	24,251,343
Funds From Interbank Money Market	—	220,064	—	—	—	—	—	220,064
Marketable Securities Issued	—	—	—	—	2,881,782	1,172,409	—	4,054,191
Miscellaneous Payables	—	—	96	13,783	—	—	478,197	492,076
Other Liabilities[2]	—	5,012	1,075	41,792	113,809	—	4,562,915	4,724,603
Total Liabilities	—	288,842	10,987,198	11,645,902	3,598,116	2,181,107	5,041,112	33,742,277
Net Liquidity Gap	31,666	6,294,572	(3,362,713)	2,135,245	1,726,625	(2,088,925)	(4,736,470)	—

Notes:

(1) Assets and liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets and shareholders' equity, provisions and miscellaneous payables, are classified in this column.

(2) In other liabilities line amount of TL 4,562,915 in the "unallocated" column, includes the shareholders' equity amounting to TL 4,314,915 and provisions amounting to TL 182,768.

The following tables set forth, as at 30 June 2017 and as at 31 December 2016, 2015 and 2014, the undiscounted cash flows of the financial liabilities of the Bank (other than derivative transactions, which are presented further below) by relevant maturity grouping based on the remaining period, as at the applicable balance sheet date, to the contractual maturity dates.

	As at 30 June 2017							
	Book Value as at 30 June 2016	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
	(in thousands of TL)							
Liabilities								
Bank deposits								
Other deposits								
Funds borrowed from other financial institutions	55,572,644	6,501,637	8,316,653	30,679,178	7,662,460	4,489,898		57,649,826
Funds borrowed from Interbank money market	160,000	160,000						160,000
Marketable securities issued	7,871,159		91,259	340,871	7,282,015	1,901,036		9,615,181
Miscellaneous payables	492,027			7,255	2,774		481,998	492,027
Other liabilities	872,311	62,005	74,157	126,011	122,385	142,003	345,750	872,311
Total liabilities	64,968,141	6,723,642	8,482,069	31,153,315	15,069,634	6,532,937	827,748	68,789,345
Guarantees and commitments				4,971,070				4,971,070

		As at 31 December 2016						
	Book Value as at 30 June 2016	**Demand and up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Unallocated**	**Total**
				(in thousands of TL)				
Liabilities								
Bank deposits								
Other deposits								
Funds borrowed from other financial institutions	51,718,845	6,897,573	9,370,564	24,417,231	6,464,869	4,684,999		51,835,236
Funds borrowed from Interbank money market	69,000	69,000						69,000
Marketable securities issued	7,827,323		91,321	341,104	7,455,884	1,949,643		9,837,952
Miscellaneous payables	2,747,448			8,780			2,738,668	2,747,448
Other liabilities	482,735	9,232	580	43,127	124,665	110,771	194,360	482,735
Total liabilities	62,845,351	6,975,805	9,462,465	24,810,242	14,045,418	6,745,413	2,933,028	64,972,371
Guarantees and commitments				3,863,578				3,863,578

		As at 31 December 2015						
	Book Value as at 31 December 2015	**Demand and up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Unallocated**	**Total**
				(in thousands of TL)				
Liabilities								
Bank deposits	—	—	—	—	—	—	—	—
Other deposits	—	—	—	—	—	—	—	—
Funds borrowed from other financial institutions	32,988,250	593,409	10,668,318	17,258,998	2,891,137	1,748,342	—	33,160,204
Funds borrowed from Interbank money market	200,000	200,214	—	—	—	—	—	200,214
Marketable securities issued	5,088,218	—	36,415	1,699,707	2,797,182	1,529,430	—	6,062,734
Miscellaneous payables	898,347	—	—	5,084	5,085	—	888,178	898,347
Other liabilities	258,353	7,094	2,550	78,619	82,394	—	87,696	258,353
Total liabilities	39,433,168	800,717	10,707,283	19,042,408	5,775,798	3,277,772	975,874	40,579,852
Guarantees and commitments	—	—	—	2,754,481	—	—		2,754,481

The following tables set forth the undiscounted cash inflows and outflows of derivative transactions of the Bank as at as at 30 June 2017 and as at 31 December 2016, 2015 and 2014.

	As at 30 June 2017					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	(in thousands of TL)					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	3,168,359	49,619	83,215	2,244,999	1,830,668	7,376,860
– Inflow	3,123,681	48,441	112,026	1,843,449	1,407,926	6,535,523
Interest rate derivatives						
– Outflow	—	200,372	711,598	1,488,708	—	2,440,678
– Inflow	484	208,652	699,602	1,488,405	—	2,397,143
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow	363,357	1,045,551	2,662,861	517,607	—	4,589,376
– Inflow	359,704	954,064	2,478,065	521,515	—	4,313,348
Interest rate derivatives						
– Outflow	—	47,008	221,531	4,829,255	1,928,125	7,025,919
– Inflow	—	47,280	220,648	4,740,693	1,901,036	6,909,657
Total outflow	3,531,716	1,342,550	3,679,205	9,080,569	3,758,793	21,392,833
Total inflow	3,483,869	1,258,437	3,510,341	8,594,062	3,308,962	20,155,671

	As at 31 December 2016					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	(in thousands of TL)					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	684,958	53,741	61,694	1,966,671	1,652,588	4,419,652
– Inflow	685,339	58,289	97,174	1,868,956	1,455,170	4,164,928
Interest rate derivatives						
– Outflow	—	2,533	681,992	—	—	684,525
– Inflow	—	4,310	678,869	—	—	683,179
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow	291,806	655,455	2,582,796	458,332	—	3,988,389
– Inflow	327,330	720,186	2,742,080	536,349	—	4,325,945
Interest rate derivatives						
– Outflow	—	32,312	277,241	4,929,024	1,991,787	7,230,364
– Inflow	—	33,117	282,301	4,807,017	1,949,643	7,072,078
Total outflow	976,764	744,041	3,603,723	7,354,027	3,644,375	16,322,930

	As at 31 December 2016					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	(in thousands of TL)					
Total inflow	1,012,669	815,902	3,800,424	7,212,322	3,404,813	16,246,130

	As at 31 December 2015					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	(in thousands of TL)					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	210,309	13,039	97,069	1,032,440	804,199	2,157,056
– Inflow	211,377	15,382	106,882	1,146,492	781,217	2,261,351
Interest rate derivatives						
– Outflow	44,079	—	265,911	—	—	309,990
– Inflow	43,868	1,231	264,642	—	—	309,741
Derivatives held for hedging						
Foreign exchange derivatives						
– Outflow	201,390	744,555	1,373,971	—	—	2,319,916
– Inflow	206,490	741,202	1,283,220	—	—	2,230,911
Interest rate derivatives						
– Outflow	—	—	1,622,008	1,621,432	—	3,243,440
– Inflow	—	—	1,639,056	2,038,056	—	3,677,112
Total outflow	455,778	757,594	3,358,959	2,653,872	804,199	8,030,402
Total inflow	461,735	757,815	3,293,800	3,184,548	781,217	8,479,115

	As at 31 December 2014					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	(in thousands of TL)					
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	478,493	7,162	21,825	689,754	—	1,197,234
– Inflow	482,037	7,266	25,600	717,885	—	1,232,788
Interest rate derivatives						
– Outflow	—	47,277	194,014	—	—	241,291
– Inflow	283	45,602	193,685	—	—	239,570
Derivatives held for hedging						
Foreign exchange derivatives						

	As at 31 December 2014					
	Up to 1 Month	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
			(in thousands of TL)			
– Outflow	577,389	782,627	857,700	—	—	2,217,716
– Inflow	605,469	806,765	843,594	—	—	2,255,828
Interest rate derivatives						
– Outflow	—	—	122,650	2,966,450	—	3,089,100
– Inflow	—	—	145,988	2,934,545	—	3,080,533
Total outflow	1,055,882	837,066	1,196,189	3,656,204	—	6,745,341
Total inflow	1,087,789	859,633	1,208,867	3,652,430	—	6,808,719

Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events. Operational risk can result from a variety of factors, including failure to obtain proper internal authorisation, failure to document transactions properly, failure of operational and information security procedures or other procedural failures, computer system or software failures, other equipment failures, fraud and inadequate training or errors by employees.

The Bank seeks to minimise losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause loss through failure of people or processes in such a way that losses are avoided or reduced to the minimum possible extent.

The Bank has established internal control mechanisms in order to be able to manage the operational risks and these mechanisms are monitored and periodically audited by the internal audit and inspection unit of the Bank. Financial losses occurring as a result of operational risk together with the underlying reasons are reported to the Audit Committee, senior management of the Bank and the Board of Directors by the Risk Management Department and necessary actions are taken according to decisions made by the Board of Directors.

For regulatory purposes and for purposes of the statutory capital adequacy ratio, the Bank calculated the amount subject to operational risk based on the last 3 years' gross income of the Bank using the basic indicator method in accordance with the *"The Calculation of the Amount Subject to Operational Risk"* Arrangement under the *"Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio"* published in the Official Gazette No. 28337 dated 28 June 2012. In the framework of Basel II, the Bank has used the basic indicator approach in calculating the amount subject to operational risk since 30 June 2007. Calculation of regulatory capital changed effective from 1 January 2014 as per the Regulation on Equity of Banks published in the official Gazette no. 28756 dated 5 September 2013. As at 30 June 2017, the total amount subject to operational risk, calculated in this manner, was TL 1,246,956.

Legal risk includes the possibility that transactions may not be enforceable under applicable law or regulation and also the possibility that changes in Turkish law and regulation may adversely affect the Bank's position. The Bank seeks to minimise legal risk by using standard forms of documentation, by seeking to ensure that transactions are properly authorised and by reviewing its legal position following a change in law.

MANAGEMENT

Supreme Advisory and Credit Guidance Committee

The Bank's affairs are overseen by the Supreme Advisory and Credit Guidance Committee, which is chaired by the Prime Minister or the Minister with whom the Bank is affiliated (currently the Minister of Economy). The Supreme Advisory and Credit Guidance Committee fixes upper limits of credits to be extended by the Bank, guarantees to be issued and insurance transactions to be effected, either as a total amount or by country, sector and programme.

The Supreme Advisory and Credit Guidance Committee, as at the date of this Prospectus, is comprised of the following *ex officio* members:

Name	Position(s)
Nihat Zeybekçi	Economy Minister and Chairman of the Supreme Advisory and Credit Guidance Committee
Mustafa Cüneyd Düzyol	Undersecretary of the Ministry of Development
Osman Çelik	Undersecretary of the Treasury
İbrahim Şenel	Undersecretary of the Ministry of Economy
Ersan Aslan	Undersecretary of the Ministry of Science, Industry and Technology
Abdullah Kaya	Undersecretary of the Ministry of Finance
Cenap Aşcı	Undersecretary of the Ministry of Customs and Trade
Murat Çetinkaya	Governor of the Central Bank
Adnan Yıldırım	Acting General Manager of the Bank

General Assembly

The Bank's General Assembly exists to carry out activities in compliance with the Turkish Commercial Code (the "TCC"), such as amending articles of association, appointing members to the Board of Directors and appointing auditors. While the General Assembly convenes for ordinary and extraordinary sessions, an ordinary session must be held at least once a year and within three months of the end of the Bank's fiscal year. Extraordinary sessions are held whenever the Board of Directors deems it necessary or upon request of the Treasury, as a shareholder representing at least 5 per cent. of the share capital. The Bank's Board of Directors has the power to call a session of the General Assembly. The date, hour, location and agenda of any session must be announced at least two weeks prior to such session in the Turkish Trade Registry Gazette and on the Bank's website. In compliance with the TCC, a representative of the Ministry with whom the Bank is affiliated must attend each session of the General Assembly. In order to form a quorum, representation of not less than one fourth of the Bank's capital is required and resolutions may be passed by majority vote of votes in attendance.

The General Assembly's duties include amending the articles of association as needed, appointing auditors, adopting resolutions for the dissolution of the Bank, adopting resolutions with respect to financial statements and annual reports, distributing dividends under the TCC as well as its non-assignable and non-delegable duty to elect six of the seven members of the Board of Directors. Pursuant to the Decree, the General Assembly may delegate or assign its assignable and delegable powers to the Chief Executive Officer.

Board of Directors

The Bank is managed by a Board of Directors consisting of seven members. The Board of Directors meets at least once a month and, as part of its role, is required to take into account the status of the national economy, recent governmental decisions, laws and regulations, the scope of the Bank's activities along with the decisions and advisory guidance from the Supreme Advisory and Credit Guidance Committee. The Board of Directors presents annual programmes to the Supreme Advisory and Credit Guidance Committee. If required, the Board of Directors may delegate part of its authority to the senior management, provided that limits of authority are clearly established. The delegation of authority, however, does not discharge the Board of Directors of its overall responsibilities.

The Bank's General Manager is appointed for three years by a joint decree upon the proposal of the Minister with whom the Bank is affiliated (currently the Minister of Economy), the Prime Minister and the President of the Republic of Turkey. The other six Directors are appointed by the General Assembly. Each Director serves a term of three years and may be re-elected by the General Assembly (save for the Chief Executive Officer, who will be subject to the procedure outlined above for re-appointment) upon termination of a term.

The business address of the Directors and senior management is Saray Mahallesi Ahmet Tevfik İleri Caddesi No: 19, 34768 Ümraniye, Istanbul, Turkey.

The Board of Directors of the Bank, as at the date of this Prospectus, is comprised of the following members

Name	Position(s)
Osman Çelik.....	Chairman
Adnan Yıldırım	Acting General Manager and Director, Chairman and Member of the Executive and the Credit Committee
İbrahim Şenel	Vice Chairman
Bülent Gökhan Günay.....	Director and Member of the Audit Committee
Mehmet Büyükekşi	Director
Işınsu Kestelli.....	Director
Raci Kaya.....	Director and Member of the Credit Committee and the Audit Committee

Osman Çelik, Chairman of the Board of Directors

Erzincan, 1964. Mr. Çelik holds a BA in Economics from the Middle East Technical University's Faculty of Economics and Administrative Sciences. He worked as an economist with the State Statistical Institute in 1986 and 1987. He then joined Faisal Finance where he worked as a specialist and, later, chief specialist in the Project Evaluation and Preparation Department from 1988 until 1995. He served as Project and Marketing Manager at İhlas Finance from 1995 through 1999 and Assistant General Manager of Anadolu Finance from 2000 through 2005. After serving as Assistant General Manager of Credits at Türkiye Finans Participation Bank from 2006 to 2013, he then served as Assistant General Manager of Commercial Banking from October 2013 and as General Manager from June 2015. Mr. Çelik was appointed as Undersecretary of Treasury on 29 June 2016, a position he still holds. Holding a member's seat on the Board of Directors of Turk Eximbank since 12 January 2017, Mr. Çelik was appointed as Chairman of the Board of Turk Eximbank on 21 January 2017.

Adnan Yıldırım, Acting General Manager and Director, Chairman and Member of the Executive and Credit Committee

Denizli, 1959. Mr. Yıldırım holds a degree in Economics and Public Finance from Ankara University's Faculty of Political Sciences and a master's degree in economics from the Vanderbilt University in the United States. Mr. Yıldırım started his professional career as an assistant auditor on the Board of Auditors at the Ministry of Finance in 1981, where he then worked as an auditor and chief auditor. He was a Department Head at the Ministry of Finance from 1991 to 1996, before working as the CFO of EGS Group, General Manager of Denizli Free Zone, board member of İpekyolu Vadisi Serbest Bölge Kurucu ve İşletmecisi A.Ş., and Financial Advisor for the Aegean Exporters' Association. Having served as Secretary General of the Izmir Chamber of Commerce from 2006 to 2010, Mr. Yıldırım was a founding partner of Pamukkale Consulting and Batı Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. He held the positions of the Advisor to the Chairman of the Aegean Region Chamber of Industry, Advisor to the Board of Directors of İzmir Commodity Exchange, Advisor to the Board of Directors of the Kemalpaşa Organised Industrial Zone, and Financial Advisor for the Izmir Free Zone. Mr. Yıldırım served as Deputy Minister of Economy from 2014 to 2015 and as a Chief Advisor to the Minister of Economy from 2015 to 2016. He was appointed as an Acting General Manager of Turk Eximbank on 29 November 2016.

İbrahim Şenel, Vice Chairman

Tokat, 1966. Mr. Şenel holds a BA in Economics from Ankara University's Faculty of Political Sciences. After serving as an Assistant Specialist at the State Planning Organization between 1989 and 1991, he started working at the Undersecretariat of Treasury and Foreign Trade in 1991. From 2003 to 2007, he served as a Head of Department and Deputy Director General of Exports, and as Deputy Commercial Counselor in Baku. He was Deputy Undersecretary at the Undersecretariat of Customs from 2007 to 2009, Director General of Exports from 2009 to 2011, and Deputy Undersecretary at the Ministry of Economy from 2011 to 2014. On 16 September 2013, he began serving as acting Undersecretary of the Ministry of Economy, and he was assigned as Undersecretary in full capacity on 8 January 2014, a position he still holds. Mr. Şenel also serves as a member of the State Aids Monitoring and Supervision Board. Holding a member's seat on the Board of Directors of Turk Eximbank since 18 March 2015, Mr. Şenel also served as a member of the Audit Committee between 16 September 2015 and 21 January 2017, and has also been serving as the Vice Chairman of the Board of Directors since 25 May 2015

Bülent Gökhan Günay, Director and Member of the Audit Committee

Sakarya, 1962. Mr. Günay started his career at Türkiye Sınai Kalkınma Bankası in 1986 and then held the positions of Assistant General Manager of Treasury, International Relations, Retail Banking, Securities, Advertising and Public Relations at various banks. From 2002 to 2016, he was an Assistant General Manager of Treasury and Retail Banking of Anadolubank, Chief Assistant General Manager and then General Manager of the same bank, a position from which he resigned in 2016. Mr. Günay has been a member of the Board of Directors of Turk Eximbank since 12 January 2017 and a member of the Bank's Audit Committee since 21 January 2017.

Mehmet Büyükekşi, Director

Gaziantep, 1961. Mr. Büyükekşi graduated from the Faculty of Architecture, Yıldız Technical University in 1984. He received a degree in Business Administration and English Language Education at Marmara University and in England. He currently serves as a Chairman of the Turkish Exporters Assembly, Board member of Turk Eximbank, Board member of Turkish Airlines, Assembly member of Istanbul Chamber of Commerce, Board member of Istanbul Development Agency, Board member of Istanbul Leather and Leather Products Exporters' Association, Board member of Energy Efficiency Association, and General Coordinator of Ziylan Group. He has been a member of the board at the Turkish Leather Foundation, Vice Chairman of

Turkish Exporters Assembly for five years, Board member of Istanbul Chamber of Industry for eight years, Board member of the Turkish Leather Foundation for 6 years, of TOBB-BİS Organize Sanayi ve Teknoloji Bölgeleri A.Ş., TOBTİM Uluslararası Ticaret Merkezi A.Ş., Turkish Do&Co, and Energy Efficiency Association. He was the Chairman of Turkish Shoes Industrialists' Association; Chairman of the Board of Istanbul Leather and Leather Products Exporters' Association between 2000 and 2006, and Founding Chairman of Turkish Footwear Industry Research, Development and Education Foundation between 1997 and 2008. Mr. Büyükekşi has been a member of the Board of Directors of Turk Eximbank since 24 October 2002.

Işınsu Kestelli, Director

Konya, 1962. Mrs. Kestelli holds a BA in Economics from 9 Eylül University, Faculty of Economics and Administrative Sciences. She is the founding partner of Agrilink Tarım Ürünleri San. ve Tic. Ltd., a company engaged in the international edible oil industry. She became a member of the Edible Oils Professional Committee of the Izmir Commodity Exchange in 1992 and was elected a member of the Board of Directors in 1995, where she later served as Vice Chairperson of the Board of Directors from 2003 to 2009. She was elected as Chairperson of the Board of Directors in 2009. She currently serves as the Chairperson of the Izmir Commodity Exchange, a Board member of Borsa İstanbul A.Ş., a member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Strategy Development High Council, a Board member of Economic Development Foundation, a Board of Trustees member of the Aegean Foundation for Economic Development, a member of the TOBB Women Entrepreneurs Council, a member of the Advisory Board of the Aegean Young Businessmen Association (EGİAD), a Turkey-EU Joint Consultative Committee Member, a member of the Izmir Economic Development Coordination Board, a member of the Advisory Board of Ege University Women's Issues Research Center (EKAM), and a member of the Board of Trustees of the Anadolu Autism Foundation. Mrs. Kestelli was appointed as a member of the Board of Directors of Turk Eximbank on 12 January 2017.

Raci Kaya, Member of the Board of Directors and Member of the Credit Committee and the Audit Committee

Ankara, 1967. Mr. Kaya holds a bachelor's degree in Public Administration from Middle East Technical University, a master's degree in Economics from Hacettepe University and a doctorate degree from Marmara University. He started his career as an Assistant Specialist of International Relations at Halkbank in 1990. After holding managerial positions at various banks and private sector companies, he worked as Assistant General Manager of Aktif Investment Bank from 2007 through 2014 and as Assistant General Manager of Treasury Management and International Banking from 18 February 2015. Appointed as Acting Assistant Undersecretary of Treasury effective 17 August 2016, Mr. Kaya became the Assistant Undersecretary of Treasury in full capacity from 27 December 2016. Mr. Kaya has been a member of the Board of Directors of Turk Eximbank since 30 March 2016 and a member of the Bank's Audit Committee since 4 April 2016.

Senior Management

As at the date of this Prospectus, the Bank's senior management is comprised of the following members:

Name	Position	Responsibility
Adnan Yıldırım	Acting General Manager	General Manager
Necdet Karadeniz.....	Assistant General Manager	Loan/Insurance Allocation
Enis Gültekin	Assistant General Manager	Loan/Insurance Marketing
Ertan Tanrıyakul.....	Assistant General Manager	Finance, Treasury, International Credits and Economic Research
Hüseyin Çelik	Assistant General Manager	Accounting/Operation

Ahmet Kopar..... Assistant General Manager Support/HR/Technology

Adnan Yıldırım, General Manager

See see *"— Board of Directors"*.

Necdet Karadeniz, Assistant General Manager

Iğdir, 1959. Mr Karadeniz graduated from the Faculty of Chemistry-Metallurgy of Istanbul Technical University. He received his master's degree in Investment Project Arrangement and Evaluation from Istanbul University. He started his professional career as a quality control engineer in 1987. Mr Karadeniz joined Eximbank in December 2012. Mr Karadeniz was appointed as an Assistant General Manager on 26 May 2017 and is currently in charge of Loan/Insurance Allocation.

Enis Gültekin, Assistant General Manager

Sarıkamış, 1976. Mr Gültekin graduated from the Department of Finance of the Faculty of Political Sciences of Ankara University. He received his master's degree in Finance from Illinois University in the United States. He started his professional career as an Assistant Specialist in the Türk Eximbank in 1998, and he served in the Board of Sworn-in Bank Auditors in the Undersecreteriat of Treasury in 1999 and then in the Board of Sworn-in Bank Auditors in the Banking Regulatory and Supervision Agency and became the chief auditor. Mr Gültekin was appointed to Türk Eximbank as the Assistant General Manager on 17 December 2013. He is currently in charge of credit/insurance marketing.

Ertan Tanrıyakul, Assistant General Manager

Istanbul, 1962. Mr Tanrıyakul holds a degree in Economics from the Middle East Technical University. He started his professional career in the Project Evaluation Department of the State Investment Bank as Assistant Specialist and worked in various posts in different departments after the transformation of the Bank to Türk Eximbank. Mr Tanrıyakul was appointed as an Assistant General Manager on 2 March 1998 and is currently in charge of Treasury and Funding, International Credits and Economic Research.

Hüseyin Çelik, Assistant General Manager

Safranbolu, 1962. Mr Çelik graduated from the Faculty of Economic and Administrative Sciences, Department of Public Finance at Uludağ University. He began his professional career at İktisat Bank. After serving as Assistant General Manager and as a member of the Board of Directors at various banks and institutions. Mr Çelik joined Eximbank in May 2017. He currently in charge of Financial Affairs and Operations.

Ahmet Kopar, Assistant General Manager

Elazığ, 1955. Mr Kopar graduated from the Mathematical Engineering Department of Karadeniz Technical University. He also holds an MSc from the Institute of Statistics of the Academy of Economics and Commercial Sciences. After working for the IT Department of the State Meteorological Service for nine years, Mr Kopar joined the Bank in 1987. Mr Kopar has held various positions at the Bank, ranging from Expert to Head of IT. Mr Kopar participated to many of the Bank's information technology projects, such as the Bank's Document Management System and Disaster Recovery System. He was appointed as Assistant General Manager in charge of Support in July 2011.

Board Committees

The Board of Directors of the Bank has established an audit committee, an executive committee and a credit committee.

Audit Committee

To assist the Board of Directors' audit and observation responsibilities, the Audit Committee comprises at least two members of the Board of Directors not possessing executive responsibilities and operates according to article 24 of the Banking Law. The Audit Committee was established by the decision of the Board of Directors dated 31 October 2006. On behalf of the Board of Directors, the Audit Committee is authorised and responsible for: ensuring the efficiency and adequacy of the internal control, risk management and internal audit systems; monitoring the operations of internal systems, accounting and reporting systems, and the integrity of information generated by them in compliance with related legislation. In addition, during the Board of Directors' process of appointing independent auditors, rating institutions, evaluation and support services firms, the Audit Committee is responsible for performing pre-assessment of candidates and regularly monitoring the activities of the selected institutions. The Regulations on the Procedure and Principles of the Operations of the Audit Committee were approved by the Board's decision dated 5 February 2007.

The Bank's Audit Committee is composed of two members, Mr Bülent Gökhan Günay and Mr Raci Kaya, who are both also non-executive members of the Board of Directors.

Credit Committee

The Bank has four credit committees: the Credit Committee, the General Manager Credit Committee, the Deputy General Manager Credit Committee and the Department Credit Allocation Committee.

The Credit Committee is responsible for approving credit allocations under the supervision of the Board of Directors. The Credit Committee is composed of two members to be elected by the Board of Directors from among its members, who meet the same conditions, save the term, sought for a general manager as per the Banking Law, and has the Acting General Manager or Deputy General Manager as the third member. Two alternate members are elected from among the members of the Board of Directors, who meet the same conditions, save the term, sought for the general manager, to substitute for the members of the credit committee who cannot attend a meeting.

The Credit Committee extends loans under the power that is delegated to it by the Board of Directors within the framework of the principles and procedures determined by relevant legislation. Resolutions adopted by the credit committee unanimously are directly implemented, and resolutions it adopts by majority vote, are implemented after approval by the Board of Directors. The Board of Directors is responsible for supervising the operations and decisions of the Credit Committee. The Chairman of the Board of Directors, the Deputy Chairman and each member of the Board of Directors is entitled to request all information regarding the operations of the Credit Committee and perform any kind of audit deemed necessary

The Credit Committee is vested with the authority to issue credit up to a maximum of 10 per cent. of the Bank's shareholders' equity, limited to credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 50 million). The Credit Committee is chaired by the Acting General Manager and is composed of two other members of the Board of Directors.

The General Manager Credit Committee is vested with the authority to issue credit up to a maximum 1 per cent. of the Bank's shareholders' equity, limited to credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 10 million). It is chaired by the General Manager and its other members include Assistant General Manager in charge of Loan/Insurance Allocation, Head of Allocation Department, Head of Marketing Department and Head of Financial Analysis and Intelligence Department.

The Deputy General Manager Credit Committee is vested with the authority to issue credit up to a maximum of 0.9 per cent. the Bank's shareholders' equity, limited to the credits provided with 100 per cent. first-class

warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 5 million). It is chaired by the Loan/Insurance Allocation Deputy General Manager and its other members include Head of Allocation Department, Head of Marketing Department and Head of Financial Analysis and Intelligence Department.

The Department Credit Allocation Committee is vested with the authority to issue credit up to a maximum 0,7 per cent. of the Bank's shareholders' equity, limited to the credits provided with 100 per cent. first-class warranties (allocations under Treasury-backed KGF guarantees, with a limit of up to 7 per cent. default rate, have an upper limit of TL 30 million). It is chaired by the Head of Allocation Department and its other members include Allocation Manager and Head of Marketing Department.

Executive Committee

The Executive Committee was established by the Board of Directors Decree No. 97/17-70, dated 6 August 1997. The main function of the Executive Committee is to negotiate the issues to be submitted to the Board of Directors for approval. It also analyses and evaluates draft arrangements on credit principles as well as technical and administrative issues. The main responsibilities of this Committee are: to manage assets and liabilities; to submit eligible credit applications of both domestic and overseas projects to the Board of Directors for approval; and to carry out duties assigned by the Board of Directors. Reports on the balance sheet, income statement, financial structure, placement and funding activities are submitted to the Board of Directors at least quarterly.

The Executive Committee is chaired by Mr. Adnan Yıldırım, Acting General Manager, and the assistant general managers are the members of this committee.

Corporate Governance

The Bank recognises the importance of maintaining sound corporate governance practices. The Bank's corporate governance practices meet the mandatory requirements imposed by the laws of Turkey, the BRSA and other applicable regulations, as well as the Articles of Association of the Bank. The Bank's corporate governance practices are based on best international practices and form a framework which seeks to ensure consistency and efficiency in the Board's practices and the governance of the Bank. The Bank's corporate governance practices also aim to provide for strategic direction, management supervision and adequate control of the Bank with the ultimate goal of increasing the long-term value of the Bank and protecting its mission, vision and strategy. See "*Business — Strategy*".

Under Turkish law, only listed companies must comply with the mandatory corporate governance rules under the Corporate Governance Communiqué issued by the CMB. Given that the Bank is not a listed company, such regulations are not binding on the Bank. The Bank follows the rules set forth in the Bank's annual programmes which are approved by the Supreme Advisory and Credit Guidance Committee. In the Bank's annual programme for 2016, which takes into account the Turkish government's annual programme and the effects of the global financial crisis on Turkish production sectors and economy, the principles and objectives of the Bank in export financing are set forth, including:

- Within the scope of Basel and following research on the establishment, improvement and implementation of risk management systems by other export credit agencies during the global crisis, establish a bespoke rating system for the Bank;
- Closely monitor the World Trade Organisation (WTO), Organisation for Economic Co-operation and Development (OECD) and European Union (EU) with respect to guidelines on applications for credit,

insurance and guarantee programmes, and revise the Bank's programmes in line with regulations of WTO, OECD and EU;

- Maintain a financially sound structure in terms of capital adequacy, liquidity, profitability and asset quality so that the Bank will have the same credit ratings as the Turkish Treasury and to borrow in the international markets at the best available prevailing rates;
- Conduct activities transparently, promote transparency and ethical behaviour among the Bank's employees (through publication of ethical principles on the Bank's intranet) and make all relevant information available for customers and other parties via the Bank's website.

Environment

The Bank has been implementing environmental guidelines in compliance with the OECD Recommendation on Environment and Officially Supported Export Credits and which have been agreed upon by the OECD Export Credits and Credit Guarantees Group. The Environmental Guidelines of the Bank were modified according to the Recommendation Decisions, which were revised in 2007 and became effective with the approval of the OECD Council of Ministers in February 2008. The Environmental Guidelines of Turk Eximbank were revised in accordance with the OECD's Recommendation Decision in 2012. These environmental guidelines will be applicable to projects or project-related goods and services which have a total value of SDR 10 million and have a repayment period of two years or more under the credit, insurance and guarantee programmes.

OECD Anti-Bribery Convention

To prevent bribery in international business transactions, 28 member countries of the OECD along with Argentina, Brazil, Bulgaria, Chile and the Slovak Republic agreed on "the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions" (the "Convention") on 21 November 1997. After the signing of the Convention by Turkey in December 1997, the Convention was ratified by the Turkish National Assembly on 1 February 2000 with the Act No. 4518.

After the enactment of the Convention, the Export Credits and Credit Guarantees Group ("ECG") of the OECD, in which Turkey is represented by the Undersecretariat of Treasury and the Bank, implemented procedures and practices for exchanging information among the member countries in 1998. In this respect, the ECG's efforts resulted in the "Action Statement on Bribery and Officially Supported Export Credits" ("Action Statement") being put into effect in 2000.

Upon reviewing the Action Statement, member countries reached a consensus for its improvement and a revised Action Statement which was agreed on in 2006 included clauses for enhancing measures to be taken by the member countries for combating the bribery of foreign public officials in international business transactions benefitting from official export credit support. The Action Statement was converted into an OECD Recommendation by the Council Decision dated 14 December 2006.

With respect to efforts to harmonise Turkish legislation with the OECD legislation, the notion of "combating bribery of foreign public officials", which was first inserted into Turkish domestic law by the Act No. 4782 dated 2 January 2003, was also included in the Turkish Criminal Code (Act No. 5237) dated 26 September 2004 and amended by the Act. No. 5377 dated 29 June 2005 (Turkish Criminal Code Article 252/5).

In connection with its OECD obligations, the Bank began requiring "commitments" from exporters benefiting from the Bank's programmes in 2004, in which there were references to the Turkish Criminal Code. The

measures to prevent bribery in international business transactions have been enhanced and further improvements have been executed on a programme-basis after the adoption of the OECD Recommendation.

Information regarding the evaluation of Turkey carried out by OECD Working Group on Bribery is available on the web-page of Ministry of Justice as the coordination unit. http://www.uhdigm.adalet.gov.tr/english/oecd/index.html.

Sanctions, Anti-Money Laundering Policies and Principles

The Bank regards combating money laundering and financing of terrorism not only as a legal obligation but also as a social responsibility and attaches a great importance to it. The Bank also regards these efforts as an important element of its conformity with international standards. In addition, the Bank also develops its compliance programmes in accordance with national legislation. Pursuant to the Bank's "Anti-money Laundering Policies and Implementation Principles" which are approved by the Board of Directors, the Bank intends to prevent laundering of criminal funds via our bank and to preclude use of our bank as a means to finance terrorism-linked activities. The Bank believes that it is not in violation of any applicable sanctions. The Bank also manually screens against lists of U.S. economic sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control and other potentially applicable sanctions regulations, including the sanctions imposed by the EU, to determine the existence and extent of any commercial dealings with or for the benefit of specially designated nationals and other sanctions targets.

The Prevention of the Financing of Terrorism

Law No. 6415 on the Prevention of the Financing of Terrorism ("Law No. 6415") was adopted by the Turkish Grand National Assembly on 7 February 2013 for the purpose of determining the principles and procedures on implementing the United Nation's 1999 International Convention for the Suppression of Financing of Terrorism and the United Nations Security Council Resolutions related to combating terrorism and the financing of terrorism. The Bank is obligated to comply with the principles and procedures of Law No. 6415. The Board of Directors has also adopted internal principles and policies to prevent money laundering, laundering of criminal proceeds and financing of terrorism, in an effort to ensure that the Bank and its employees are aware of their legal and administrative obligations and that the Bank's policies, procedures and methods of oversight conform with national regulations and international conventions. The Bank's goal is to ensure that its operations maintain secure banking activities and the Bank's credibility and client quality. The current policies, procedures and control methods apply to the General Directorate and all branches and liaison offices.

Remuneration

The following table sets forth the aggregate amount paid to members of the Board of Directors and to the Bank's senior management (seven persons) in salaries and other benefits, as well as post-employment benefits, for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Salaries and other short-term employee benefits	3,298	2,574	1,971
Post-employment benefits.....	—	—	—

Source: IFRS Financial Statements

Members of the Supreme Advisory and Credit Guidance Committee and the Board of Directors do not receive a fee for attending meetings.

Conflicts

None of the members of the Bank's Supreme Advisory and Credit Guidance Committee, Board of Directors or Senior Management have any existing or potential conflicts of interests with respect to their duties to the Bank and their private interests or other duties.

RELATED PARTY TRANSACTIONS

For purposes of the IFRS Financial Statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For purposes of the IFRS Financial Statements, the shareholders of the Bank together with state-controlled entities in Turkey are considered related parties.

The Bank has entered into a number of banking transactions with related parties in the normal course of business. Other related parties refer to entities that are controlled, jointly controlled or significantly influenced by the Turkish government.

The following table sets forth the Bank's outstanding balances with related parties as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at 30 June	As at 31 December		
	2017	**2016**	**2015**	**2014**
		(in thousands of TL)		
Due from banks				
Other related parties[1]	1,482,918	592,005	426,574	331,816
Loans and advances to customers				
Other related parties[2]	2,048,559	2,004,483	1,280,269	1,259,004
Trading securities				
Turkish Treasury[3]	11,060	10,678	10,593	51,283
Investment securities—Held to maturity				
Turkish Treasury[4]	246,055	98,549	255,968	296,954
Other assets				
Turkish Treasury	914	—	391	14
Funds borrowed				
Other related parties[5]	33,979,319	32,272,616	22,955,874	19,376,859
Other liabilities				
Other related parties	—	—	—	—

Source: IFRS Financial Statements

Notes:

(1) The average interest rate for due from banks was 10.17 per cent. as at 30 June 2017, as compared to 7.95 per cent. as at 31 December 2016, 4.91 per cent. as at 31 December 2015 and 4.4 per cent. as at 31 December 2014.

(2) The average interest rate for loans and advances to customers was 3.99 per cent. as at 30 June 2017, as compared to 3.99 per cent. as at 31 December 2016, 5.28 per cent. as at 31 December 2015 and 5.1 per cent. as at 31 December 2014.

(3) The average interest rate for trading securities was 6.7 per cent. as at 30 June 2017, as compared to 6.8 per cent. as at 31 December 2016, 7.0 per cent. as at 31 December 2015 and 3.6 per cent. as at 31 December 2014.

(4) The average interest rate for investment securities was 8.9 per cent. as at 30 June 2017, as compared to 9.7 per cent. as at 31 December 2016, 4.8 per cent. as at 31 December 2015 and 2.8 per cent. as at 31 December 2014.

(5) The average interest rate on funds borrowed was 0.96 per cent. as at 30 June 2017, as compared to 0.93 per cent. as at 31 December 2016, 1.0 per cent. as at 31 December 2015 and 1.0 per cent. as at 31 December 2014.

The following table sets forth income statement information with respect to the Bank's transactions with related parties for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Interest income on investment and trading securities			
Turkish Treasury	24,934	24,599	29,163
Interest income on loans and advances to customers			
Other related parties	56,200	50,862	53,334
Interest expense on funds borrowed			
Other related parties	153,839	77,123	89,535
Operating Expenses (taxes paid)			
Other related parties	5,882	1,794	1,253

Source: IFRS Financial Statements

The following table sets forth the remuneration of the board of directors and key management personnel for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	**2015**	**2014**
	(in thousands of TL)		
Salaries and other short-term employee benefits	3,298	2,574	1,971
Post-employment benefits	—	—	—

Source: IFRS Financial Statements

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that Management believes to be reliable, but the Bank has not independently verified such information. See "Responsibility Statement".

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to U.S.$4,916 million at the end of 2001 from U.S.$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, following which all private commercial banks were either found to be in compliance with the 8 per cent. minimum capital requirement, transferred to the SDIF or asked to increase their capital levels). The transparency of the system has improved through the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were reduced while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 26 private banks have (as at the date of this Prospectus) been transferred to the SDIF due to, among other things, weakened financial stability and liquidity.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking sector, the government reduced the rate of the Resource Utilisation Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; however, the 3 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from 2 January 2013, RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years increased from 0 per cent. to 1 per cent., and those with an average maturity of between two to three years increased from 0 per cent. to 0.5 per cent., while those with an average maturity of three years or more remained at 0 per cent. The government also increased the RUSF charged on interest on foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand for credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers set the RUSF charged on consumer credits to be utilised by real persons (for non-commercial utilisation) at 15 per cent. with its decision № 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade, with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 as at 31 December 2008. The total number of banks remained at that level until February 2011, when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. Since 2012, Odea Bank A.Ş., Bank of Tokyo-Mitsubishi UFJ Ltd., Intesa Sanpaolo S.p.A. and Rabobank A.Ş. started their operations in Turkey. In October 2012, Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. On 2 April 2015, the BRSA announced that Commercial Bank of China acquired 75.5 per cent. of the shares of Tekstil Bank A.Ş. from GSD Holding A.S. In December 2015, National Bank of Greece entered into an agreement with QNB regarding the sale of its entire stake in Finansbank A.Ş., which share transfer was finalised in 2016. In May 2015 and February 2016, the BRSA granted permission to Ziraat Katılım Bankası A. Ş. and Vakıf Katılım Bankası A.Ş., respectively, for each to start their operations as a participation bank. The Turkish government has recently established a sovereign wealth fund. While the structure, mandate and use of this fund are not yet clear, shares held by the government in certain banks and other companies, including Ziraat and Halkbank, have been transferred to (or announced to be transferred to) this fund.

A number of banks have been transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking sector as at the end of each indicated year.

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Number of banks(1)	46	46	45	45	45	44	45	45	47	47	47

Note:

(1) Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

Source: Banks Association of Turkey (www.tbb.org.tr)

As at 31 December 2016, 47 banks (including domestic and foreign banks, but excluding the Central Bank) were operating in Turkey (excluding participation banks). 34 of these were deposit-taking banks and the remaining banks were development and investment banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium- and long-term funding for investment in different sectors.

Competition

The Turkish banking industry is highly competitive and relatively concentrated, with the ten largest deposit-taking banks accounting for 89.8 per cent. of total assets of deposit-taking banks as at 31 December 2016, according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks—Ziraat, Halkbank and Vakıfbank, which were ranked first, sixth and seventh, respectively, in terms of total assets as at

31 December 2016, according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 34.4 per cent. of deposit-taking Turkish banks' performing loans and 36.2 per cent. of customer deposits as of such date, according to the BRSA. The top four privately owned domestic banks as of such date were İşbank, Garanti, Akbank and Yapı Kredi Bank, which in total accounted for 47.5 per cent. of deposit-taking Turkish banks' performing loans and 45.8 per cent. of customer deposits as of such date, according to the BRSA. The remaining banks in the top ten deposit-taking banks in Turkey as of such date included three mid-sized banks, namely Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası, which were controlled by QNB, Sberbank and TEB Holding, respectively, as at 31 December 2016.

TURKISH REGULATORY ENVIRONMENT FOR BANKS

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act № 4389 (which has been replaced by the Banking Law) established the BRSA. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardise the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, Board' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 (the "Internal Systems Regulation"), banks are obligated to establish, manage and develop (for themselves and all affiliates they consolidate) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's Board. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process," should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the "ICAAP Report") representing the bank's own assessment of its capital requirements. An ICAAP Report is required to be submitted annually to the BRSA, together with the stress test analysis, the internal audit report on the

internal capital adequacy assessment process and the model validation report by the end of March of the following year. The Board of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

Turkish Banks Association

The Turkish Banks Association is an organisation that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the Banking Regulation and Supervision Board (the "BRSB") in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the Board or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSB. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares. In addition, the acquisition or transfer of any shares of a legal entity that owns 10 per cent. or more of the capital of a bank is subject to BRSB approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. The BRSB's permission might be given on the condition that the person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in which such shares of a bank are transferred without the permission of the BRSB, the voting and other shareholder rights

of the legal person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

The Board of a bank is responsible for taking necessary measures to ascertain that shareholders attending a general assembly have obtained the applicable authorisations from the BRSB. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the Board of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSB. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25 per cent. of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a Board or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the Board or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSB's discretion to increase such lending limits up to 25 per cent. or to lower it to the legal limit. Real and legal persons having surety,

guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1 per cent. of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions backed by cash, cash-like instruments and accounts and precious metals;
- transactions carried out with the Turkish Treasury, the Central Bank, the Privatization Administration and the Housing Development Administration of Turkey, as well as transactions carried out against bonds, bills and other securities issued by or payment of which is guaranteed by these institutions;
- transactions carried out in money markets established by the Central Bank or pursuant to special laws;
- in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements;
- equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow;
- transactions carried out among banks on the basis set out by the BRSA;
- equity participations acquired through underwriting commitments in public offerings; provided that such participations are disposed of in a manner and at a time determined by the BRSA;
- transactions that are taken into account as deductibles in calculation of own funds; and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other

receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette № 26333 on 1 November 2006 and amended from time to time thereafter (the "Regulation on Provisions and Classification of Loans and Receivables"), banks are required to classify their loans and receivables into one of the following groups:

- *Group I: Loans of a Standard Nature and Other Receivables*: This Group involves loans and other receivables:

  (a) that have been disbursed to financially creditworthy natural persons and legal entities;

  (b) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

  (c) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected; and

  (d) for which no weakening of the creditworthiness of the applicable debtor has been found.

  The terms of a bank's loans and receivables monitored in this Group may be modified if such loans and receivables continue to have the conditions envisaged for this Group.

- *Group II: Loans and Other Receivables Under Close Monitoring*: This Group involves loans and other receivables:

  (a) that have been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there is no problem at present, but that need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilizing the loan;

  (b) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;

  (c) that are very likely to be repaid but collection of principal and interest payments have been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below; or

  (d) although the credit standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

  If a loan customer has multiple loans and any of these loans is classified in Group II and others are classified in Group I, then all of such customer's loans are required to be classified in Group II. The

terms of a bank's loans and receivables monitored in this Group may be modified if such loans and receivables continue to have the conditions envisaged for this Group.

- *Group III: Loans and Other Receivables with Limited Recovery*: This Group involves loans and other receivables:

  (a) with limited collectibility due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss;

  (b) the credit standing of whose debtor has weakened and where the loan is deemed to have weakened;

  (c) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date; or

  (d) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

- *Group IV: Loans and Other Receivables with Suspicious Recovery*: This Group involves loans and other receivables:

  (a) that seem unlikely to be repaid or liquidated under existing conditions;

  (b) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;

  (c) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase; or

  (d) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

- *Group V: Loans and Other Receivables Having the Nature of Loss*: This Group involves loans and other receivables:

  (a) that are deemed to be uncollectible;

  (b) collection of whose principal or interest or both has been delayed by one year or more from the due date; or

  (c) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other

receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1 per cent. of the total cash loan portfolio *plus* 0.2 per cent. of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general reserve is calculated at 0.5 per cent. of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general reserve is calculated at 0.1 per cent. of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 0 per cent.) for standard loans defined in Group I and a general reserve calculated at 2.0 per cent. of the total cash loan portfolio plus 0.4 per cent. of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve is calculated at 1.0 per cent. and (ii) non-cash loans related to the items stated in (i) for which the general loan loss reserve is calculated at 0.2 per cent.). The exceptions regarding the loan loss reserve calculation stated above will be applied to the respective loans defined in Group I and Group II until 31 December 2017. For payment obligations arising from the relevant law in relation to a cheque slip that was delivered by a bank at least five years previously, 25 per cent. of the non-cash rates referred to above will be applied.

In order to support certain sectors, on 7 April and 5 August 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to loans and other receivables that banks provide to borrowers operating in the tourism and energy industries. These provisional articles provided that (among other things) the terms of loans and other receivables that are granted to these borrowers and classified under Group II (*Loans and Other Receivables Under Close Monitoring*) may be modified up to two times until 31 December 2016. If at least 10 per cent. of the total receivables have been repaid, then such loan or other receivable may be re-classified under Group I (Loans of a Standard Nature and Other Receivables) to the extent the terms set out in the new loan agreement are satisfied. If the terms of a loan or other receivable are modified for the second time and such loan or other receivable is re-classified under Group II from Group I or continues to be monitored under Group II due to not satisfying the conditions for re-classification under Group I, then these may be re-classified under Group I only if at least 15 per cent. of the total receivables have been repaid. If there was additional funding in the second modification of a loan or other receivable, then these will be classified under Group III (*Loans and Other Receivables with Limited Recovery*) until at least 5 per cent. of the total receivables are repaid. The banks may re-classify loans and other receivables with modified terms under Group III (*Loans and Other Receivables with Limited Recovery*), Group IV (*Loans and Other Receivables with Suspicious Recovery*) and Group V (Loans and Other Receivables Having the Nature of Loss) as per the applicable provisions of the Regulation on Provisions and Classification of Loans and Receivables.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as NPLs by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (*Loans and Other Receivables Under Close Monitoring*) if: (a) in the first restructuring, there is no overdue debt as at the

date of the re-classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in the second restructuring, there is no overdue debt as at the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Banks must continue to reserve the required provisions during such restructuring period. Loans and other receivables classified under Group II after the restructuring are monitored under the "Renewed/Restructured Loans Account". Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional article 13 (which entered into force retroactively as of 21 July 2016) states (among other things) that the delay periods of payments stipulated for the loans defined in Group II, Group III, Group IV and Group V may be counted as of 21 January 2017 for the obligations of the credit debtors that have been liquidated, assigned to the Directorate General of Foundations or the Undersecretariat of Treasury or to which the SDIF is assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016 and for: (i) public officials who have been discharged from their positions within the scope of the state of emergency and (ii) real persons and legal entities the assets of which are subject to injunctions within the scope of the state of emergency.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to banking regulations, a 0.3 per cent. general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the "Regulation on Loan Transactions of Banks" (published in the Official Gazette № 26333 on 1 November 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions must be set aside for the loans and receivables in Banks III, IV and V at least in the amounts of 20 per cent., 50 per cent. and 100 per cent., respectively. An amount equal to 25 per cent. of the specific provisions set forth in the preceding sentence is required to be set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; however, if a bank sets aside specific provisions at a rate of 100 per cent. for NPLs, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter has been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "NPLs". If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as an NPL, then all outstanding risks of such loan customer are classified in the same group as the NPLs even if such loans would not otherwise fall under the same group as such NPLs. If an NPL is repaid in full, then the other loans of the loan customer may be re-classified into the applicable Bank as if there were no related NPL.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements and funds gained from repo transactions over notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Undersecretariat of Treasury, the Housing Development Administration of Turkey or the Privatization Administration and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Undersecretariat of Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatization Administration and transactions made against notes, debenture bonds, lease certificates issued under the Law on Regulating Public Finance and Debt Management numbered 4749 and dated 28 March 2002 and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by (or guarantees and sureties given by) central governments or central banks of countries that are members of the OECD, (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the ECB or guarantees and sureties given by the ECB, (f) sureties, letters of guarantee, avals and acceptance and endorsement of non-cash loans issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds, debentures and covered bonds issued, or lease certificates the underlying assets of which are originated, by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities, (j) insurance policies for trade receivables and (k) KGF guarantees not benefitting from Treasury support.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) auto pledges, commercial route license pledges and commercial auto license pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special provision requirements for NPLs, the value of collateral received from an applicable borrower is deducted from such borrower's loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	**Discount Rate**
Category I collateral	100%
Category II collateral	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the subsequent six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15 per cent. of the total receivables for restructured loans, then the remaining receivables are reclassified to the "Renewed/Restructured Loans Account". The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; provided that at least 20 per cent. of the principal and other receivables are collected on a yearly basis.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as frozen receivables by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (Loans and Other Receivables Under Close Monitoring) if: (a) in the first restructuring, there is no overdue debt as at the date of the re- classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in case of the second restructuring, there is no overdue debt as at the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Banks must continue to reserve the required provisions during such restructuring period. Loans and other receivables classified under Group II (Loans and Other Receivables Under Close Monitoring) after the restructuring are monitored under the "Renewed/Restructured Loans Account". Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the IMF and the World Bank. This regulation requires banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the beginning of 2018 and to set aside allowances for actual credit losses in line with such principles. If an exemption is granted by the BRSA, the banks would be allowed to set aside general provisions as stipulated under the proposed regulation. According to the proposed regulation, the general provisions for Group I loans (*Standard loans*) would be 1.5 per cent. and those for Group II loans (watchlist loans) (*Loans Under Close Monitoring*) would be 3.0 per cent. starting from 2018.

Capital Adequacy

Article 45 of the Banking Law defines "*capital adequacy*" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and

report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8 per cent.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. The Bank's minimum total capital adequacy ratio as required by the BRSA is (as at the date of this Prospectus) 8 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio of 8 per cent.

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "Basel Committee") in December 2010 and revised in June 2011 (i.e., Basel III) into the applicable law in Turkey, the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014 and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e., Tier 1 capital), which is composed of core capital (i.e., Common Equity Tier 1 capital) and additional principal capital (i.e., additional Tier 1 capital) and (b) supplementary capital (i.e., Tier 2 capital) minus capital deductions. Pursuant to the 2015 Capital Adequacy Regulation (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent. and (ii) both the minimum Tier 1 capital adequacy ratio and the minimum consolidated Tier 1 capital ratio are 6.0 per cent.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués on various matters, such as internal capital adequacy ratios and internal systems, in accordance with the Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. These amendments relating to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016.

The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. According to such regulation, the risk weights of foreign currency-denominated claims against the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA published a decision that enables banks to use a 0 per cent. risk weight for foreign currency required reserves in the Central Bank.

On the other hand, the 2015 Capital Adequacy Regulation lowered the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50 per cent. to 35 per cent. and (b) the risk weights of consumer loans qualifying as retail loans (*perakende alacaklar*) (excluding residential mortgage loans and credit cards) and installment payments of credit cards from a range of 100 per cent. to 250 per cent. (depending upon their outstanding tenor) to 75 per cent. (irrespective of their tenor); provided that such receivables are not reclassified as NPLs (*donuk alacaklar*).

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Bank does not have any additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (among others): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2 Conditions (i.e., the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of Management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier 2 calculations after being reduced by 20 per cent. for the period between 1 January 2014 and 31 December 2014 and by 10 per cent. for each subsequent year (the calculations being made based upon the total amount of the

debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 1.25 per cent. for 2017, which will be phased to 2.5 per cent. through 2019. The BRSA has published: (a) its decision dated 18 December 2015 № 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 № 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0 per cent. of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. While deciding on the countercyclical capital buffer, the BRSA will rely upon the credit-to-GDP gap as a common reference point in line with the guidance of the BIS. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as at the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, which entered into force on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015) and seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. Lastly, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and non-consolidated liquidity and 80 per cent. in respect of total consolidated and non-consolidated foreign exchange liquidity; however, pursuant to the BRSA Decision on Liquidity Ratios, for a period between 5 January 2015 and 31 December 2015, such ratios were applied as 70 per cent. and 50 per cent., respectively, in 2016 and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliance that has already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including non-compliance that has already been remedied.

Under the 2013 Equity Regulation, debt instruments and their issuance premia could be included either in additional Tier 1 capital or in Tier 2 capital subject to certain conditions; however, as at 31 March 2016, such amount is required to be reduced (for purposes of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

In accordance with Basel III rules, each bank is required to prepare an ICAAP Report representing its own assessment of its capital requirements (see "*—Regulatory Institutions*" above). See also a discussion of the implementation of Basel III in Turkey under "*—Basel Committee—Basel III*" below.

According to the 2013 Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or

the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the Board of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "Tier 2 Conditions"):

(1) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;

(2) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors;

(3) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;

(4) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate;

(5) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BR□A; approval of the BR□A is subject to the following conditions:

    (i) the Bank should not create any market expectation that the option will be exercised by the Bank;

    (ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations; or

    (iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (i) the capital adequacy requirement that is to be calculated pursuant to the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer; (ii) 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 BR□A (if any); however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; provided that the above conditions in this clause (e) are met and the BR□A approves;

(6) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the □ssuer;

(7) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;

(8) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;

(9) if there is a possibility that the bank's operating license would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the bank's loss, then removal of the debt instrument from the bank's records or the debt

instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides;

(10) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above; and

(11) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (e).

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the Board of the applicable bank accompanied by a written statement confirming that all of the New Tier 2 Conditions (except for the condition indicated in clause (a) of the New Tier 2 Conditions) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the Bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that: (a) the portion of general provisions that exceeds 1.25 per cent. of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds six parts per 1,000 of the receivables to which they relate is not taken into consideration.

Furthermore, in addition to the New Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier 2 capital are required to be accompanied by the original copy or a notarised copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or notarised copy to the BRSA within five business days following the signing date of such agreement). The 2013 Equity Regulation provides that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the Board confirming that such difference does not affect Tier 2 capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (borçlanma aracı izahnamesi), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as at the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier 2 capital calculations, and that have less than five years to maturity, shall be included in Tier 2 capital calculations after being reduced by 20 per cent. each year.

Basel Committee

Basel II

The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as at the date of this Prospectus) results in a 50 per cent. risk weighting for Turkey; however, the Turkish rules implementing the Basel principles in Turkey (i.e., the "Turkish National Discretion") revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0 per cent. risk weight. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 31 2016, the risk weights of foreign currency-denominated reserves on the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA published guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime.

Basel III

Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the 2013 Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to 2012 Capital Adequacy Regulation, which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorised under "other assets". The 2013 Equity Regulation has also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015, № 29511 and 20 January 2016, № 29599, which amendments also entered into force on 31 March 2016. For the amendments related to the leverage ratios and capital adequacy ratio of banks, see "Capital Adequacy" above.

The BIS reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

In February 2016, the BRSA published the D SIBs Regulation and introduced additional capital requirements for D SIBs in line with the requirements of Basel III. The BRSA defines D SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are classified under four categories based upon a score set by the BRSA and are required to keep additional core Tier 1 capital buffers up to a further 3 per cent. buffer for Group 4 banks, 2 per cent. for Group 3, 1.5 per cent. for Group 2 and 1 per cent. for Group 1. In 2017, capital buffer requirements for D SIBs have been (and are to be) applied as 1.5 per cent. for Group 4; 1 per cent. for Group 3, 0.75 per cent. for Group 2 and 0.5 per cent. for Group 1 and in 2018, these ratios are to be applied as 2.25 per cent. for Group 4; 1.5 per cent. for Group 3, 1.125 per cent. for Group 2 and 0.75 per cent. for Group 1. The buffers are to be fully implemented by 2019. Given the nature of the Bank's existing capital base, mostly composed of common equity and retained earnings, the Bank expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the capital requirements set forth within the Basel III framework.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements, the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (i) a portion of the Turkish Lira reserve requirements in U.S. Dollars and another portion of the Turkish Lira reserve requirements in standard gold and (ii) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. Dollar-denominated liabilities in U.S. Dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- its total liabilities;
- its total non-cash loans and obligations;
- its revocable commitments multiplied by 0.1;
- the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and
- its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60 per cent. and 40 per cent., respectively, and (in the absence of any new arrangement) such ratios shall be (and have been) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0 per cent. liquidity adequacy ratio limit applies to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20 per cent., which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities

and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's Board is required to establish audit committees for the execution of the audit and monitoring functions of the Board. Audit committees shall consist of a minimum of two members and be appointed from among the members of the Board who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the Board; regularly monitoring the activities of independent audit firms selected by the Board; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the Board.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and numbered 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (i) independent auditors and (ii) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The Internal Systems Regulation established standards as to principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the Internal Systems Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among others things, new stress test requirements. Accordingly, the Board and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. In addition, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central

Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the Internal Systems Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits (except for commercial deposits) held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSB and the Undersecretariat of Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSB.

Borrowings of the SDIF

The SDIF: (i) may incur indebtedness with authorisation from the Turkish Treasury or (ii) the Turkish Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Undersecretariat of Treasury, are to be determined together by the Undersecretariat of Treasury and the SDIF.

Power to require Advances from Banks

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

Contribution of the Central Bank

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the Board or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

Premiums as an Expense Item

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law № 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

Claims

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119, and as amended from time to time, are as follows:

- ensuring the enforcement of the SDIF board's decisions;
- establishing the human resources policies of the □D□F;
- becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty;
- insuring the savings deposits and participation accounts in the credit institutions;
- determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Turkish Treasury, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BR□A;
- paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose operating permission has been revoked by the BR□A;
- fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the □D□F by the BR□A, with the condition that the losses of the shareholders are reduced from the capital;
- taking management and control of the banks whose operating permission has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks;
- requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law;
- issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision; and
- fulfilling the other duties that the Banking Law and other related legislation assigned to it.

Cancellation of Banking License

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's Board to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSB;
- such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems; or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the Board of such bank:

- to increase its equity capital;
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to limit its salary and other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions by re-evaluating its credit policy;
- to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BR□A and in accordance with a plan approved by the BR□A; and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA

determines that taking such actions will not lead to a favourable result, then the BRSB may require such bank to:

- strengthen its financial structure, increase its liquidity and/or increase its capital adequacy;
- dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSB;
- decrease its operational and management costs;
- postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees;
- limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- convene an extraordinary general assembly in order to change some or all of the members of the Board or assign new member(s) to the Board, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the Board cause(s) to increase risks significantly as stipulated above;
- implement short-, medium- or long-term plans and projections that are approved by the BRSB to decrease the risks incurred by the bank and the members of the Board and the shareholders with qualified shares must undertake the implementation of such plan in writing; and/or
- to take any other action that the BRSB may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSB may require such bank to:

- limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period;
- apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation;
- remove from office (in whole or in part) some or all of its members of the Board, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them;
- make available long-term loans; provided that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders;
- limit or cease its non-performing operations and to dispose of its non-performing assets;
- merge with one or more other interested bank(s);
- provide new shareholders in order to increase its equity capital;
- deduct any resulting losses from its own funds; and/or
- take any other action that the BRSB may deem necessary.

In the event that: (i) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months; (ii) the financial structure of such bank cannot be strengthened despite its having taken such actions; (iii) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure; (iv) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system; (v) such bank cannot cover its liabilities as they become due; (vi) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (vii) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; provided that any loss is deducted from the share capital of current shareholders.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose operating permission is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette dated 1 November 2006 and numbered 26333, the chairman of the

board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors are required to issue a Report on Compliance that the annual reports prepared by report of the banks.

Board Directors is presented fairly and consistent with the audited unconsolidated financial statements in all material respects. Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the Board and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Pursuant to BRSA regulations, banks must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the 2013 Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e.,, additional Tier 1 capital) and supplementary capital (i.e., Tier 2 capital), on the bank's website. In addition, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (entering into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff № 8 attached to the Law on Fees (Law № 492) amended by the Law № 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa Istanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa Istanbul. Given that the Bank is not a listed company, such regulations are not binding on the Bank. The Bank follows the rules set forth in the Bank's annual programmes which are approved by the Supreme Advisory and Credit Guidance Committee. Within the framework of the rules and objectives of the annual programs, the Board and the General Directorate are authorised, either generally or related to country- or sector-specific groups, to carry out assignments within the limits of a range of credit transaction, guarantee and insurance programs.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law № 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments, especially credit card installments. The rules: (i) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements; (ii) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank; (iii) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card; and (iv) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit cards limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30 per cent., 35 per cent. and 40 per cent. for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40 per cent. for newly issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75 per cent., irrespective of their tenor, which was in a range of 100 per cent. to 250 per cent., depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewelry expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article to the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law № 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In 2013, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments reduced the general reserve requirements for cash and non-cash loans relating to transit trade, export sales, deliveries and services and activities resulting in gains of foreign currency. On 27 September 2016, the BRSA published further amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments removed the requirements for the consumer loan provisions calculated according to the ratio of consumer loans to total loans and the ratio of non-performing consumer loans to total consumer loans. In 2013, credit cards were included in the calculation of consumer loans by this regulation and on 27 September 2016, the consumer loan provision rate for credit cards in Group I (*Loans of a Standard Nature and Other Receivables*) and Group II (*Loans and Other Receivables under Close Monitoring*) were reduced from 4 per cent. and 8 per cent. to 1 per cent. and 2 per cent., respectively.

In November 2016, the Central Bank published the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions, replacing the existing communiqué as of 1 January 2017. Under the new regulation, the Central Bank determined revised maximum contractual and default interest rates for Turkish

Lira and foreign currency credit card transactions. The new monthly maximum contractual and default interest rates are (as at the date of this Prospectus) 1.84 per cent. and 1.47 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as at the date of this Prospectus) 2.34 per cent. and 1.97 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

On 31 December 2013, the BRSA adopted new rules on loan to value and installments of certain types of loans and on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses is 80 per cent. In addition, for auto loans extended to consumers, for loans secured by autos and for autos leased under financial lease transactions, the loan-to-value requirement is set at 70 per cent.; provided that in each case the sale price of the respective auto is not higher than TL 50,000; however, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70 per cent. and the remainder is set at 50 per cent. As for limitations regarding installments (as amended by the BRSA from time to time), the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and any refinancing of the same) are not permitted to exceed 48 months. Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans, which include loans provided for durable and semi-durable consumer goods, weddings, education and health, utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of such restructuring).

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees.

Credit Guarantee Fund (KGF)

The KGF was established pursuant to Decree № 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law № 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount has been increased to TL 25 billion in accordance with the Law № 6670 dated 18 January 2017. In addition, pursuant to Decree № 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette № 29896 and dated 22 November 2016) and Decree № 2017/9969 regarding amendments to the Decree on Treasury Support to be provided to the Credit Guarantee Institutions, the KGF guarantees are supported by the Turkish Treasury. The KGF can provide guarantees for up to 90 per cent. of the sum of interest, dividend and rent payments except for the default interest and principal balance on the date of loan payment for SMEs and up to 85 per cent. of such amounts for non-SMEs. If a loan is provided through the Bank to an SME or (b) a non-SME engaged in foreign exchange earning activities, then these loans may be guaranteed up to 100 per cent. The guarantee covers up to 7.0 per cent. of NPLs comprising loans to SME borrowers extended under the KGF programme, as a percentage of total NPLs extended under the KGF programme (including all

NPLs extended by any participating Turkish bank). If SME NPLs exceed 7 per cent. of the Bank's total loan portfolio granted under the KGF programme, then the Bank will bear the risk for the amount of the NPL in excess of such 7 per cent. level and such loans will be subject to conventional collection efforts.

Risk Management Disclosure

The BRSA issued Communique on Disclosures to Public Regarding Risk Management published in the Official Gazette dated 23 October 2015 and numbered 29511 (as amended by a regulation published in the Official Gazette dated 20 January 2016 and numbered 29599) which entered into force on 31 March 2016 and outlines procedures and principles of consolidated and unconsolidated risk management disclosure to be made by the banks. According to the Communique, any information regarding risk management must be included in financial reports as a separate section. Disclosures must be easily accessible and must facilitate measurement and assessment of information given by banks. Banks must keep an online disclosure database, showing five years of records and the online database must be available on a bank's website from 31 March 2016 onward. Disclosures made within the scope of the Communique are subject to independent audit.

Personal Data Protection

The Law on Protection of Personal Data (the "Law No. 6698") was accepted on 24 March 2016 and published in the Official Gazette dated 7 April 2016 and numbered 29677. A significant majority of the provisions of the Law No. 6698 became effective from 7 April 2016.

Under the Law No. 6698, the main rule to collect and process personal data is to obtain explicit consent of the person whose data will be collected/processed ("Data Subject"). However, personal data can also be collected and processed without the Data Subject's consent if any of the conditions stated below exists:

- collection and processing is permitted by any specific law provision;
- the Data Subject is subject to a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of the Data Subject's or third parties' life or physical integrity;
- processing is necessary for forming or performance of a contract to which the Data Subject will be/is party;
- processing is mandatory for data controller to perform his/her legal duties;
- personal data has been made available to public by the Data Subject himself/herself; or
- processing is mandatory for assigning, using or protecting a right.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, way of appearance and dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered special categories of data. The conditions to legally process sensitive personal data are as follows:

- obtaining explicit consent of the Data Subject; and
- taking necessary precautions determined by the data protection board.

However, explicit consent of the Data Subject is not required under any of the conditions below:

- collection and processing is permitted by any specific law provision;

- collection and processing of members' sensitive data by non-profit organisations (political parties, unions, foundations) on the condition that (i) such collection/processing is in line with law and their scope of activity and (ii) sensitive data is not disclosed to third parties;
- sensitive personal data has been made available to public by the Data Subject himself/herself;
- collection and processing is mandatory for assigning, using or protecting a right; and
- collection and processing by parties or relevant authorities under confidentiality obligation for the purposes protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third parties with explicit consent of the Data Subject. However, personal data can be transferred to third parties without consent of the Data Subject if

- collection and processing is permitted by any specific law provision;
- the Data Subject is subject to a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of the Data Subject's or third parties' life or physical integrity;
- processing is necessary for forming or performance of a contract to which the Data Subject will be/is party to;
- processing is mandatory for the data controller to perform his/her legal duties;
- personal data has been opened to public by the Data Subject himself/herself; and
- processing is mandatory for assigning, using or protecting a right.

If transfer is made by parties under confidentiality obligation or relevant authorities for the purposes protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

Personal data can be transferred to third countries with the Data Subject's explicit consent. Further, the criteria that is applied for transfer of personal data to third parties shall be applied to transfer of personal data to third countries if;

- third country has sufficient protection; or
- data controllers in Turkey and third country guarantee protection of personal data in writing and Data Protection Board allows such transfer.

The Data Protection Board will decide whether a certain third country is qualified as providing sufficient protection for personal data. All personal data, processed or collected before the enactment of the Law No. 6698, should be brought in conformity with the articles of Law No. 6698 within two years.

TAXATION

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

In addition, for the purposes of the Notes, the sections entitled "EU Savings Directive" and "Value Added Tax" in the Base Prospectus shall be deemed to be deleted in their entirety.

The section in the Base Prospectus entitled "*The Proposed Financial Transactions Tax (FTT)*" shall be deemed to be deleted in its entirety and be replaced with the following:

"The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary Market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT."

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax law (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have

ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as at the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of interest

The Issuer does not expect the Notes to be, and this discussion assumes that the Notes will not be, issued with original issue discount. Payments of stated interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued depending on such U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid on a Note and any additional amounts generally will constitute foreign source income for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale and retirement of the Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. Dollar cost. The amount realised does not include any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of a Note generally will be capital gain or loss and will be long term capital gain or loss if the Note was held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. U.S. Holders should consult their own advisers as to the foreign tax credits implications of the sale or retirement of Notes.

Information reporting and backup withholding

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "Plan"). Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a "Benefit Plan Investor") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; however, such plans may be subject to similar restrictions under applicable state, local, other federal or non-U.S. law ("Similar Law").

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Issuer is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers". Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisers regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Note, each purchaser and transferee (and if the purchaser or transferee is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Note will not be, acquiring or holding a Note with the assets of a Benefit Plan Investor, or a U.S. governmental plan, church plan or non-U.S. plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the acquisition, ownership or disposition of the Notes.

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 14 September 2017 (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 Joint Bookrunner's name below.

	Principal Amount of Notes
	(U.S. Dollars)
Joint Bookrunners	
Citigroup Global Markets Limited	83,335,000
HSBC Bank plc	83,333,000
ING Bank N.V., London Branch	83,333,000
Mediobanca - Banca di Credito Finanziario S.p.A.	83,333,000
Mizuho International plc	83,333,000
MUFG Securities EMEA plc	83,333,000
Total	500,000,000

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 QIBs that are also QPs 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 and Selling 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 advisers 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.

Selling Restrictions

See the section in the Base Prospectus entitled "*Selling Restrictions*" (other than the sections entitled "*United States*" and "*Kingdom of Bahrain*") for the other selling restrictions applicable to the Notes.

United States of America

Offers and sales of the Notes in the United States will be made by those Joint Bookrunners or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

Certain Joint Bookrunners are not broker-dealers registered with the SEC and, therefore, may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that such Joint Bookrunners intend to effect sales of the Notes in the United States, they will do so only through one or more U.S. registered broker-dealers or otherwise, as permitted by applicable U.S. law.

The Notes have not been registered under the Securities Act or any U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.

Accordingly, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Bank with no established trading market. The Bank cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Bookrunners have advised the Bank that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Bank cannot assure you as to the liquidity of or the trading market for the Notes.

In connection with the offering, the Joint Bookrunners may purchase and sell the Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Joint Bookrunners in this offering, which creates a short position for the Joint Bookrunners. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Bookrunners may conduct these transactions in the over-the-counter market or otherwise. If the Joint Bookrunners commence any of these transactions, they may discontinue them at any time.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Bookrunners or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received customary fees and expenses. The Joint Bookrunners or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the

accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer hedge their credit exposure to the Issuer consistent with their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer has agreed to indemnify the several Joint Bookrunners against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Bookrunners may be required to make because of those liabilities.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

a. an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

b. a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.□$1,000,000; or

c. a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

GENERAL INFORMATION

Authorisation

The issuance and sale of the Notes by the Issuer and the execution and delivery by the Issuer of the transaction documents have been authorised pursuant to the resolution of its General Assembly dated 2 May 2017 which duly authorises the Board of Directors of the Issuer for a period of 15 months. In addition to this, the Board of Directors of the Issuer passed a resolution dated 25 August 2017 authorising the same.

Listing of Notes

This Prospectus has been approved by the Central Bank of Ireland as a prospectus. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the MiFID.

Documents Available

For the life of this Prospectus, copies of the following documents will, when published, be available in physical form for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

(1) the articles of association (with a certified English translation thereof) of the Issuer;

(2) the independent auditor's review report and the unaudited interim BRSA Financial Statements of the Issuer as at and for the six months ended 30 June 2017 (with June 2016 comparatives);

(3) the independent auditor's audit reports and audited BRSA Financial Statements of the Issuer as at and for the year ended 31 December 2016;

(4) the independent auditor's audit reports and audited BRSA Financial Statements of the Issuer as at and for the year ended 31 December 2015 (including 2014 comparatives);

(5) the independent auditor's audit reports and audited IFRS Financial Statements of the Issuer as at and for the year ended 31 December 2016;

(6) the independent auditor's audit reports and audited IFRS Financial Statements of the Issuer as at and for the year ended 31 December 2015 (including 2014 comparatives);

(7) the Final Terms in respect of the Notes, the Agency Agreement, the Deed of Covenant and the Deed Poll, and the forms of the Global Notes, the Notes in definitive form; and

(8) a copy of this Prospectus and the Base Prospectus (including any supplements thereto).

In addition, copies of the documents incorporated by reference herein will be available in electronic format on the Issuer's website, and a copy of this Prospectus and the Final Terms in relation to the Notes will be available in electronic format on the Irish Stock Exchange's website. See "*Documents Incorporated by Reference*" above.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The applicable Common Codes, ISINs and CUSIP number in respect of the Notes are specified in the form of the Final Terms appearing elsewhere in this Prospectus.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Significant or Material Change

There has been no significant change in the financial or trading position of the Bank since 30 June 2017. There has been no material adverse change in the financial position or prospects of the Bank since 31 December 2016.

Litigation

The Issuer is not and or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditors

The BRSA Financial Statements as at and for the years ended 31 December 2016 have been audited in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette no: 29314 on 2 April 2015 and the International Standards on Auditing by KPMG, independent auditors, as stated in their report incorporated by reference herein. The BRSA Financial Statements as at and for the years ended 31 December 2015 have been audited in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette no: 29314 on 2 April 2015 and the International Standards on Auditing by KPMG, independent auditors, as stated in their report incorporated by reference herein. The IFRS Financial Statements as at and for the years ended 31 December 2016 and 2015 have been audited by KPMG in accordance with International Standards on Auditing.

KPMG, which is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 29, 34805 Beykoz, Istanbul, Turkey, is an independent certified public accountant in Turkey and is authorised by the BRSA to conduct independent audits of banks in Turkey.

With respect to the Interim BRSA Financial Statements, incorporated by reference herein, the independent auditor has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their report with respect thereto, incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Joint Bookrunners transacting with the Issuer

Certain of the Joint Bookrunners and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Joint Bookrunners and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Joint Bookrunners and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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.

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.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

ISSUER

Türkiye İhracat Kredi Bankası A.Ş.

Türkiye İhracat Kredi Bankası A.Ş.
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