

#### IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (a) PURCHASING IN OFFSHORE TRANSACTIONS AND NOT U.S. PERSONS (EACH AS DEFINED IN REGULATION S) OR (b) QIBS (AS DEFINED BELOW)**

**IMPORTANT: You must read the following before continuing.** The following applies to the attached Prospectus (the "**Prospectus**"), 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 (or on behalf of) Akbank T.A.Ş. (the "**Issuer**") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA (WITH ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA, COLLECTIVELY THE "**UNITED STATES**") OR ANY OTHER JURISDICTION TO THE EXTENT THAT IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER UNITED STATES JURISDICTION AND SUCH SECURITIES 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 UNDER THE SECURITIES ACT ("**REGULATION S**")) 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 ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS 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, THEN 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 therein, prospective investors must be either: (a) purchasing in offshore transactions and not U.S. persons (each as defined in Regulation S) or (b) qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Prospectus is being sent at your request and by accepting this electronic distribution and accessing the Prospectus, you will be deemed to have represented to the Issuer that: (i) you and any customers you represent in connection herewith are either: (A) purchasing in offshore transactions and not U.S. persons and, if applicable, that the electronic mail address to which this electronic transmission has been delivered is not located in the United States or (B) QIBs, (ii) you consent to delivery of the Prospectus by electronic transmission and (iii) you have understood and agree to the terms set out herein.

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 to the extent that offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an underwriter or any affiliate of an underwriter is a licensed broker or dealer in that jurisdiction, then the offering will be deemed to be made by such underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been provided 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, Goldman Sachs International, HSBC Bank plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Société Générale and Standard Chartered Bank (the "**Joint Lead Managers**"), the Issuer or any person who controls any of them, nor any director, officer, employee, counsel nor agent of any of them or any 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 Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission 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: (a) persons who are outside the United Kingdom, (b) persons in the United Kingdom 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 (c) those persons in the United Kingdom to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Prospectus is directed only at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. In the United Kingdom, 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.

The Prospectus is being distributed only to and directed at real persons and legal entities domiciled outside of Turkey.



AKBANK T.A.Ş.

**Issue of U.S.\$500,000,000 Fixed Rate Resetable Tier 2 Notes due 2027  
under its U.S.\$3,500,000,000 Global Medium Term Note Programme**

**Issue price: 100.00 per cent.**

The U.S.\$500,000,000 Fixed Rate Resetable Tier 2 Notes due 2027 (the "**Notes**") are being issued by Akbank T.A.Ş., a banking institution organised as a joint stock company under the laws of Turkey and registered with the Istanbul Trade Registry under number 90418 ("**Akbank**", the "**Bank**" or the "**Issuer**") under its U.S.\$3,500,000,000 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 to qualified institutional buyers only (each a "**QIB**") as defined in, and in reliance upon, Rule 144A under the Securities Act ("**Rule 144A**") and (b) for sale to non-U.S. persons outside the United States in reliance upon Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Subscription and Sale*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below) and "*Plan of Distribution*" and "*Transfer Restrictions*" below.

**AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" HEREIN.**

The Notes will bear interest from (and including) 15 March 2017 (the "**Issue Date**") to (but excluding) 16 March 2022 (the "**Issuer Call Date**") at a fixed rate of 7.200 per cent. per annum. From (and including) the Issuer Call Date to (but excluding) 16 March 2027 (the "**Maturity Date**") the Notes will bear interest at a fixed rate of 5.026 per cent. per annum above the then applicable annual mid-swap rate for U.S. Dollar swap transactions with a maturity of five years determined in accordance with market conditions. Interest will be payable semi-annually in arrear on each of 16 March and 16 September (each an "**Interest Payment Date**") in each year up to (and including) the Maturity Date; *provided that* if any such date is not a Payment Day (as defined in Condition 7.4) then such payment will be made on the next Payment Day. Subject to having obtained the prior approval of the Banking Regulatory and Supervisory Authority (the "**BRSA**") and as further provided in Condition 8, the Issuer may redeem all, but not some only, of the Notes outstanding: (i) on the Issuer Call Date, (ii) at any time in the event of certain changes in applicable tax law or regulation or the application or official interpretation thereof or (iii) upon the occurrence of a Capital Disqualification Event, in each case, at their then Prevailing Principal Amount (as defined in Condition 5.5) together with interest accrued to (but excluding) the date of redemption. The outstanding Notes are otherwise scheduled to be redeemed by the Issuer at their then Prevailing Principal Amount on the Maturity Date. For a more detailed description of the Notes, see "Terms and Conditions of the Notes" herein.

The Notes are subject to loss absorption upon the occurrence of a Non-Viability Event (as defined in Condition 6.2), in which case, an investor in the Notes may lose some or all of its investment in the Notes. See "Risk Factors" herein and Condition 6.

This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU). 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 that are to be admitted to trading on the regulated market of the Irish Stock Exchange plc (the "**Main Securities Market**") or on another regulated market for the purposes of Directive 2004/39/EC and/or that 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 for the Notes to be admitted to its official list (the "**Official List**") and trading on the Main Securities Market. 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 trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of the Republic of Turkey ("**Turkey**") relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. The Notes cannot be sold before the necessary approvals and an approved issuance certificate in respect of the Notes are obtained from the CMB. The CMB approval approving the issuance certificate (*ihraç belgesi*) based upon which the offering of the Notes will be conducted was obtained on 1 December 2016 and numbered 29833736-105.03.01-E.12719 (the "**CMB Approval**"), and the written approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance B1 by Moody's Investors Service Limited ("**Moody's**") and BB by Fitch Ratings Ltd. ("**Fitch**" and, together with Moody's, the "**Rating Agencies**"). Each of the Rating Agencies is established in the EU and is registered under Regulation (EU) 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 <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. 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.

The Notes are being offered under Rule 144A and Regulation S by each of Citigroup Global Markets Limited, Goldman Sachs International, HSBC Bank plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Société Générale and Standard Chartered Bank (each a "**Joint Lead Manager**" and, collectively, the "**Joint Lead Managers**"), subject to their acceptance and right to reject orders in whole or in part. The Notes will initially be represented by global notes in registered form (the "**Global Notes**"), one of which will be issued in respect of the Notes ("**Rule 144A Notes**") offered and sold in reliance on Rule 144A (the "**Rule 144A Global Note**") and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), and the other of which will be issued in respect of the Notes ("**Regulation S Notes**") offered and sold in reliance on Regulation S (the "**Regulation S Global Note**") and will be registered in the name of a nominee for a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Notes will be made in book-entry form against payment therefor in immediately available funds on the Issue Date (i.e., the fifth Business Day following the date of pricing of the Notes (such settlement cycle being referred to as "**T+5**")).

*Joint Lead Managers*

**BofA Merrill Lynch  
HSBC**

**Citigroup  
Société Générale  
Corporate & Investment Banking**  
The date of this Prospectus is 9 March 2017.

**Goldman Sachs International  
Standard Chartered Bank**

**This 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.**

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

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.

To the fullest extent permitted by law, none of the Joint Lead Managers accepts any responsibility, or makes any representation, warranty or undertaking, express or implied, for the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by a Joint Lead Manager or on its behalf in connection with the Notes. Each Joint Lead Manager accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

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

Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained or incorporated in this Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead

Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Prospectus nor (ii) any advertisement or other offering material, may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Switzerland and the Republic of Turkey, see "*Subscription and Sale*" in the Base Prospectus.

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

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

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

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

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

## GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other U.S. jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions from the registration requirements thereof described under "*Transfer Restrictions*" below. 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, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the CMB Approval and the Banking Regulation and Supervision Agency approval dated 9 November 2016 and numbered 20008792-101.01 [23]-E.17716 (the "**BRSA Approval**" and, together with the CMB Approval, the "**Approvals**") required for the issuance of the Notes. In addition, the CMB introduced an amendment to the Capital Markets Law and Communiqué VII-128.8 on Debt Instruments (the "**Communiqué on Debt Instruments**") on 18 February 2017 pursuant to which an issuer is required, using an electronic application platform, to apply to the CMB before the issue date to obtain the CMB's approval in respect of each tranche of notes to be issued. However, since the electronic application platform is yet to be established by the CMB as of the date of this Prospectus, a written approval from the CMB relating to the approval of the issue of the Notes is expected to be obtained on or before the Issue Date. Pursuant to the Approvals, the offer, sale and issue of Notes has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), the Banking Law No. 5411 (the "**Banking Law**") and its related legislation, the Communiqué on Debt Instruments and its related regulation.

The Issuer has obtained a letter dated 8 July 2015 and numbered 20008792-101.01 [23]-E.10379 from the BRSA (the "**BRSA Tier 2 Approval**") approving the treatment of the Notes as Tier 2 capital of the Issuer as per the Regulation on Equities of Banks as published in the Official Gazette dated 5 September 2013 and numbered 28756 (as amended from time to time) (the "**Equity Regulation**"). The Notes, however, must comply with the requirements of the Equity Regulation, at all times, in order to be treated as Tier 2 capital of the Issuer (including the requirement to submit an original or notarised copy of the terms and conditions of the Notes to the BRSA within five business days following the issuance of the Notes).

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of the Notes on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: may purchase or sell the Notes (being denominated in a currency other than Turkish Lira) (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell the Notes (or beneficial interests therein) offshore on an unsolicited basis provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through licensed banks. As

such, Turkish residents should use licensed banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through licensed banks. For more information, see "*Subscription and Sale*" in the Base Prospectus. Monies paid for purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the "**SDIF**").

The Regulation S Global Note will be deposited on or about the Issue Date with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect account holders in Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note will be deposited on or about the Issue Date with Citibank N.A., London Branch, in its capacity as custodian (the "**Custodian**") and will be registered in the name of Cede & Co. as nominee for DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC.

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; however, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Issuer may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

In this Prospectus and except where the context otherwise requires, references to "**Akbank**", the "**Bank**" or "**Issuer**" or "**Akbank Group**" are to Akbank T.A.Ş., either on a standalone basis or together with its consolidated subsidiaries, as the context requires.

In this Prospectus, all references to:

- "**Turkish Lira**" and "**TL**" and "**TRY**" 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; and
- "**U.S. Dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars.

#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 5 August 2016 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## TABLE OF CONTENTS

RISK FACTORS .....	8
DOCUMENTS INCORPORATED BY REFERENCE .....	22
OVERVIEW OF THE OFFERING .....	24
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	30
SELECTED STATISTICAL AND OTHER INFORMATION .....	58
INFORMATION ABOUT AKBANK .....	82
TURKISH REGULATORY ENVIRONMENT FOR BANKS .....	100
FORM OF THE NOTES .....	109
TERMS AND CONDITIONS OF THE NOTES .....	111
BOOK-ENTRY CLEARANCE SYSTEMS .....	133
TAXATION .....	138
U.S. TAXATION .....	139
CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS .....	142
PLAN OF DISTRIBUTION .....	143
TRANSFER RESTRICTIONS .....	146
LEGAL MATTERS .....	150
GENERAL INFORMATION .....	151

## RISK FACTORS

*Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents which are incorporated herein by reference and in particular should consider all the risks inherent in making such an investment, including the information under the heading "Risk Factors" on pages 11 to 62 (inclusive) of the Base Prospectus (the "**Programme Risk Factors**"), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in the Programme Risk Factors a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Risk Factors.*

The Programme Risk Factors are (except to the extent noted otherwise herein) incorporated by reference into this Prospectus and for these purposes references in the Programme Risk Factors to "Notes" shall be construed as references to the Notes described in this Prospectus and references to the "Issuer" or the "relevant Issuer" shall be to the Issuer. The revisions to the Programme Risk Factors made in this Prospectus are only relevant in the context of the Notes described in this Prospectus.

In addition, for purposes of the Notes the Programme Risk Factors shall be deemed to be revised as follows (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

- a. The following is added at the start of the second paragraph of the risk factor entitled "***Akbank's loan portfolio, deposit base and government securities portfolio are concentrated in Turkey and adverse changes affecting the Turkish economy could have a material adverse effect on its business, financial condition, results of operations and prospects***":

Akbank's loans and receivables constituted 60.7% of its total assets, or TL178.9 billion, on a consolidated basis as of 31 December 2016. Approximately 96% of these assets were located in Turkey. Akbank's deposits from customers constituted 63.6% of its total liabilities, or TL166.8 billion, as of 31 December 2016, almost all of which were located in Turkey. In addition, 15.2% of Akbank's total assets were invested in Turkish government ("**Turkish Government**") securities as of 31 December 2016.

- b. The eighth and ninth sentences of the first paragraph of the risk factor entitled "***The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects***" are hereby deleted in their entirety and replaced by the following:

The actual impact of these changes are likely to vary depending upon circumstances and any revision or clarification of the regulation.

- c. The last sentence of the second paragraph of the risk factor entitled "***The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety and replaced by the following:

Because of the sharp depreciation in Turkish Lira since the US elections, The Central Bank's average funding rate increased to 10.38% as of 15 February 2017 from 8.3% since the beginning of the year.



The Turkish Lira depreciated by 19.3% between the U.S. election on 8 November 2016 and 11 January 2017, but subsequently recovered by 3.7% between 11 January 2017 and 21 February 2017.

- d. The third paragraph of the risk factor entitled "***The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety.
- e. The sixth paragraph of the risk factor entitled "***The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety and replaced by the following:

Additionally, as of 25 January 2017, the Monetary Policy Committee of the Central Bank (the "Committee") set the short-term interest rates as follows:

- Overnight interest rates - the (i) marginal funding rate was increased from 8.50% to 9.25%, and (ii) borrowing rate was kept at 7.25%;
  - One-week repo rate was kept at 8.0%; and
  - Late liquidity window interest rates (between 4:00 p.m. - 5:00 p.m.) - (i) the borrowing rate was kept at 0%, and (ii) the lending rate was increased from 10.0% to 11.0% (an increase of 100 bps).
- f. The second, third and fourth sentences of the sixth paragraph of the risk factor entitled "***Akbank 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 Akbank's business, financial condition, results of operations and prospects***" are hereby deleted in their entirety and replaced by the following:

The Central Bank reduced the cap to 1.84% as of 1 January 2017. On 5 August 2013, the Central Bank introduced caps on monthly commercial credit card interest rates in line with the caps on individual cards.

- g. The third paragraph of the risk factor entitled "***Akbank 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 Akbank's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety and replaced by the following:

For example, over the past few years a Resource Utilisation Support Fund ("RUSF") Levy has been applied on consumer loans at a rate of 15%, mortgage loan-to-value ratios have been limited to 75% (this ratio was increased to 80% by the BRSA on 27 September 2016), a ceiling on mutual fund fees has been imposed and ceiling rates on credit cards have been decreased. The BRSA also introduced amendments to its regulations on 18 June 2011 and on 8 October 2013 that were specifically designed to curb consumer lending. The amendments required all banks with consumer lending portfolios exceeding 25% of their overall loan book, or with non-performing consumer loan (classified as illiquid claims (*donuk alacaklar*), excluding mortgage loans) ratios greater than 8% of their total consumer loans, to set aside higher general provisioning of 4% (increased from 1%) for outstanding standard loans and 8% (increased from 2%) for outstanding closely monitored loans. The amendments additionally require banks to increase risk weightings for capitalisation purposes on new consumer loans (excluding vehicle and mortgage loans) with maturities of one to two years and above two years to 150% and 200%, respectively (increased from 75% if the loan is in the retail asset class) and impose certain limits with respect to fees and commissions charged to customers. These amendments, however, were abolished by the BRSA on 27 September 2016 due to the government's policy to encourage consumer lending following the weakening of economic conditions as a result of the attempted coup in 2016.

- h. The following is added to the end of the first sentence of the risk factor entitled "***Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses and its customer base***":

As at 31 December 2016, 76.4% of Akbank's loan portfolio consisted of loans to corporate clients and commercial businesses (both Turkish Lira and foreign currency) compared to 73.1% as at 31 December 2015.

- i. The third paragraph of the risk factor entitled "***Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses and its customer base***" is hereby deleted in its entirety and replaced by the following:

Akbank's non-performing loans ("NPLs") as at 31 December 2016, 2015 and 2014 were 2.3%, 2.2% and 1.7%, respectively. During the same periods, the NPLs of the Turkish banking sector were 3.2%, 3.1% and 2.8%, respectively.

- j. The fifth paragraph of the risk factor entitled "***Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses and its customer base***" is hereby deleted in its entirety and replaced by the following:

Credit cards are also another important consumer banking product which tend to have a higher degree of risk compared to other consumer lending products. The volume of Akbank's outstanding retail credit card loans was TL10.6 billion as at 31 December 2016, representing 5.9% of Akbank's total loans, as compared to TL10.9 billion as at 31 December 2015, representing 7.1% of Akbank's total loans. Akbank's NPLs for credit card loans at the years ending 31 December 2016, 2015 and 2014 were 9.4%, 9.1% and 6.6%, respectively.

- k. The following is added to the end of the first paragraph of the risk factor entitled "***Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses and its customer base***":

(see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Akbank's Results of Operations—Asset Quality*").

- l. The second paragraph of the risk factor entitled "***Customers may bring claims (including in a class action) against Akbank seeking damages in relation to violations of the competition and antitrust laws of Turkey***" is hereby deleted in its entirety and replaced by the following:

There are a number of pending lawsuits filed by customers against 12 banks, including Akbank, based on Articles 57 and 58 of the Law on the Protection of Competition. As of 23 February 2017, there were 349 lawsuits filed against Akbank related to this matter by individual customers claiming damages ranging between TL10 and TL5,000. To date, there have been no precedent final Turkish court decisions and such cases are subject to proof of damages and are pending. See also "***Information about Akbank—Business—Competition Board Investigations***".

- m. The paragraph under the risk factor entitled "***The rapid growth of Akbank's loan portfolio subjects it to the risk that it may not be able to maintain asset quality***" is hereby deleted in its entirety and replaced by the following:

Growth in Akbank's loan portfolio is due to increasing loan demand and Akbank's strategy to replace a portion of its securities portfolio with loans (which are expected to have greater yields) which may lead to deterioration in the underlying asset quality and an increase in loan to deposit ratios, unless deposit growth keeps pace. Akbank's loan portfolio growth rate for the years ended 31 December 2016 and 2015 were 16.6% and 12.7%, respectively. The significant and rapid increase in Akbank's

loan portfolio (including a significant portion of unseasoned loans) has increased Akbank's credit exposure and requires continued and improved monitoring by Akbank's management of its lending policies, credit quality and adequacy of provisioning levels through Akbank's risk management programme. Akbank's total performing loans were TL178.7 billion as at 31 December 2016 compared to TL153.3 billion as at 31 December 2015. Its NPLs as at 31 December 2016, 2015 and 2014 were 2.3%, 2.2% and 1.7% of the banks total loans, respectively. Its NPLs coverage through specific provisioning as at 31 December 2016, 2015 and 2014 was 96.4%, 95.6% and 93.5%, respectively. Akbank targets balanced and selective growth in its loan portfolio as the bank focuses on high quality asset growth. Negative developments in the Turkish economy could affect micro and medium-sized companies more than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by Akbank to manage the growth, within prudent risk parameters, of its loan portfolio or the credit quality of its creditors or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

- n. The second sentence of the risk factor entitled ***"A significant proportion of Akbank's total assets comprises securities issued by the Turkish Government and thus, in the event of a government default, there would be a direct negative impact on Akbank in addition to a severe impact on the Turkish economy"*** is hereby deleted in its entirety and replaced with the following:

As at 31 December 2016, 15.2% of Akbank's total consolidated assets were invested in securities issued by the Turkish Government (18.2% as at 31 December 2015).

- o. The last sentence of the first paragraph in the risk factor entitled ***"Changes in the interest rate levels may affect the value of Akbank's assets sensitive to interest rates and spread changes, as well as Akbank's net interest margins and borrowings costs"*** is hereby deleted in its entirety and replaced with the following:

Net interest income contributed 79.6%, 88.9% and 88.7% of gross income for the years ended 31 December 2016, 2015 and 2014 respectively, and net interest margin (excluding time deposit placements) was 3.3%, 3.3% and 3.6% over the same periods.

- p. The first sentence of the first paragraph of the risk factor entitled ***"The interests of Akbank's controlling shareholder may not coincide with the interests of the Noteholders and transactions entered into with such shareholders may not be at arm's length"*** is hereby deleted in its entirety and replaced by the following:

The Sabancı family and the Sabancı Group (the **"Controlling Shareholders"**) owned 48.9% of the outstanding share capital of Akbank worth TL 4 billion as at 31 December 2016.

- q. The third paragraph of the risk factor entitled ***"Akbank's business, financial condition, results of operations and prospects have been affected by liquidity risks in a volatile Turkish market, and would likely be affected by liquidity risks, particularly if financial market conditions deteriorate."*** is hereby deleted in its entirety and replaced by the following:

From time to time since 31 December 2011, the rate of growth of loans and receivables of Akbank's customers has outpaced the rate of growth of deposits from Akbank's customers, leading to an increase or decrease in loan-to-deposit ratios from 111.3% as at 31 December 2014, to 102.7% as at 31 December 2015, and to 102.8% as at 31 December 2016.

- r. The second paragraph of the risk factor entitled ***"Akbank relies on short-term demand and time deposits as its primary source of funding, but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps"*** is hereby deleted in its entirety and replaced by the following:

As at 31 December 2016, 2015 and 2014, 93.8%, 89.6% and 91.0%, respectively, of Akbank's funding (which includes amounts due to banks and financial institutions, customers' deposits and other borrowed funds) had repricing maturities of one year or less or were payable on demand. As at the same dates, Akbank had a negative cumulative repricing gap (more short-term liabilities than short-term assets) of TL77.8 billion, TL54.7 billion and TL46.9 billion, respectively.

- s. The last three sentences in the risk factor entitled "***Fluctuations in foreign currency exchange rates, to the extent they are not adequately hedged against, may adversely affect Akbank's financial position and cash flows***" are hereby deleted in their entirety and replaced by the following:

On 27 January 2017, Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of Standard & Poor's and Moody's and such downgrade could have a negative impact on the capital adequacy ratio of Turkish banks. Following the revision of certain of Turkey's ratings, on 2 February 2017, Fitch revised the ratings of 18 Turkish banks including Akbank.

The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor's, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency ("IIRA")) while calculating the risk-weighted assets for capital adequacy purposes.

On 27 January 2017, Standard & Poor's revised the outlook of Turkey from "stable" to "negative." Following such outlook change, on 31 January 2017, Standard & Poor's revised the outlook of the long-term counterparty credit ratings of five Turkish financial institutions. Akbank has not been rated by Standard & Poor's since 2008.

Furthermore, a downward change in the ratings published by rating agencies of either Turkey or the Issuer might reduce the availability or increase the costs of new indebtedness and/or the refinancing of the Issuer's existing indebtedness.

In addition, there can be no assurance that the financial conditions of the borrowers to whom Akbank provides foreign currency loans will not deteriorate due to the depreciation of the Turkish Lira.

- t. The risk factor entitled "***Labour disputes or other industrial actions could disrupt operations or make them more costly to run***" hereby deleted in its entirety and replaced by the following:

Akbank may be exposed to collective labour disputes and work stoppages which may negatively affect the operations partially. Akbank and the Banking and Insurance Employee Union (BANKSIS) have not been able to agree a new collective bargaining agreement and are currently in mediation. The mediator has submitted its report to the parties on 20 February 2017 and BANKSIS is entitled to resolve to launch a strike within 60 days following the receipt of this report. The strike may be suspended by the Council of Ministers for up to 60 days or upon a majority vote of the affected employees. In the event the strike is suspended, either Akbank or the employees may request binding arbitration by the High Council of Arbitrators (*Yüksek Hakem Kurulu*). The parties are entitled to renegotiate and settle an agreement during the postponement period or strike, although no assurance can be made as to the impact of any labour stoppage or agreement.

- u. The following sentence is inserted before the penultimate sentence in the fourth paragraph of the risk factor entitled "***Difficult macroeconomic and financial market conditions affected and could continue to have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***":

Turkey has subsequently also moved troops into both Jarabulus, Syria, and Bashiqa, Iraq.

- v. The last three sentences of the fifth paragraph of the risk factor entitled "***Difficult macroeconomic and financial market conditions affected and could continue to have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***" are hereby deleted in their entirety and replaced by the following:

Although there have been a number of positive recent developments in Turkey's relationship with Russia, including President Putin ordering the Russian government to normalise trade ties with Turkey and encouraging Turkey to take certain steps that Russia has indicated are a prerequisite for the gradual lifting of an embargo on certain food items and tourism, there can be no assurance that such developments will result in a full recovery in Turkey-Russia relations and trade. While the long-term impact of these events on Turkey's economic and geopolitical circumstances is unpredictable, if tensions between Turkey and Russia escalate again it could have a materially negative effect on the Turkish economy and any such negative effects could have a material adverse effect on the Group's business, financial condition and/or results of operations.

- w. The last two paragraphs of the risk factor entitled "***Difficult macroeconomic and financial market conditions affected and could continue to have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***" are deleted in their entirety and replaced by the following:

The Issuer and its customers operating in Turkey continue to remain vulnerable to other external financial and economic factors such as the continuing weakness in economic conditions and political uncertainty in the Eurozone. Any withdrawal by a Member State from the EU and/or European Monetary Union, any significant changes to the structure of the European Monetary Union or uncertainty as to whether such a withdrawal or change might occur (including the referendum held in the United Kingdom and the uncertainty resulting from the decision of the majority of voters in the United Kingdom to leave the EU) might have a material adverse effect on the Issuer's business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the Euro.

As of the date of this Prospectus, there is uncertainty in relation to the possible impacts of the leave vote in the United Kingdom, including any impact on the European and global economic and market conditions and its possible impact on Sterling, Euro and other European currency exchange rates. The United Kingdom's decision to leave the EU may impact Turkey's relationship with the EU, including its agreement concluded to control the irregular flow of refugees and economic migrants from Turkey to the EU. See "***Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility***". As the EU remains Turkey's largest export market, a decline in demand for imports from the EU or the United Kingdom might adversely impact Turkish exports and Turkey's economic growth. See "***Turkey's high current account deficit may result in Turkish Government policies that negatively affect the relevant Issuer's business***". Any effect of such vote in the United Kingdom might adversely affect the economic stability in Turkey and the Issuer's business, financial condition, results of operations and prospects.

These events could lead to the reintroduction of national currencies in one or more Eurozone countries or, in particularly dire circumstances, the abandonment of the Euro. 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 a material adverse effect on the Issuer's business, financial conditions 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 Issuer'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.

- x. The following sentence is inserted after the first sentence in the second paragraph of the risk factor entitled "***The attempted military coup in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***":

On 4 January 2017, the Grand National Assembly of Turkey ratified the extension of the state of emergency for an additional three month period starting from 19 January 2017.

- y. The antepenultimate sentence in the second paragraph of the risk factor entitled "***The attempted military coup in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety and replaced by the following:

Although, to date, the Bank's operations have not been materially affected by the attempted coup, the impact on political and social circumstances following the attempted coup and its aftermath (including rating downgrades of Turkey and the Issuer) have been significant and could reasonably be expected to have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and cost of financing and domestic demand), the Bank's and/or the Group's business, liquidity and/or conditions (financial or otherwise) and/or the value and/or market price of an investment in the Notes.

- z. The following is inserted after the last sentence in the third paragraph of the risk factor entitled "***The attempted military coup in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***":

On 26 September 2016, Moody's announced the conclusion of its review for downgrade of the 17 Turkish financial institutions by downgrading the long-term debt and deposit ratings of 14 entities, including Akbank, and confirming the ratings of three financial institutions. Moody's action followed its downgrade of the Turkish government's debt rating to "Ba1" (with a stable outlook) from "Baa3" (under review for downgrade) on 23 September 2016. Further on 27 January 2017 Standard & Poor's revised the outlook of Turkey from "stable" to "negative." Following such outlook change, on 31 January 2017, Standard & Poor's revised the outlook of the long-term counterparty credit ratings of five Turkish financial institutions excluding Akbank. Akbank has not been rated by Standard & Poor's since 2008. Also on 27 January 2017, Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings Moody's and such downgrade could have a negative impact on the capital adequacy ratio of Turkish banks. Following the revision of certain of Turkey's ratings, on 2 February 2017, Fitch revised the ratings of 18 Turkish banks including Akbank. Any further adverse rating action, would likely lead to further downgrades of Turkish banks, including Akbank, and result in higher capital charges, a reduction in capital ratios and negatively impact availability and cost of refinancing.

- aa. The following sentence is inserted before the antepenultimate sentence in the first paragraph of the risk factor entitled "***Turkey's high current account deficit may result in Turkish Government policies that negatively affect the relevant Issuer's business***":

On a 12-month basis, Turkey's current account deficit declined further to U.S.\$32.6 billion as of the end of 2016.

- bb. The second sentence in the second paragraph of the risk factor entitled "***Turkey's high current account deficit may result in Turkish Government policies that negatively affect the relevant Issuer's business***" is hereby deleted in its entirety and replaced with the following:

While the EU is recovering from recession, a significant decline in the EU's economic growth, including as a result of the majority vote of the UK to leave the EU or further political or economic instability in Europe, could affect Turkey's exports negatively and result in an increase in Turkey's current account deficit.

- cc. The second sentence in the third paragraph of the risk factor entitled "***Turkey's high current account deficit may result in Turkish Government policies that negatively affect the relevant Issuer's business***" is hereby deleted in its entirety and replaced with the following:

Although Turkey's current account deficit was positively impacted by declining global oil prices in 2015, oil prices rose somewhat in 2016 and Turkey's current account position remains subject to on-going volatility relating to global oil prices, geopolitical conditions and domestic conditions in Turkey (including investment conditions and domestic demand).

- dd. The following sentence is inserted prior to the first sentence in the first paragraph of the risk factor entitled "***Exchange Rates – the value of the Turkish Lira fluctuates against other currencies***":

Exchange rates for the Turkish Lira have historically been, and may continue to be, volatile.

- ee. The following sentence is inserted prior to the third sentence in the second paragraph of the risk factor entitled "***Exchange Rates – the value of the Turkish Lira fluctuates against other currencies***":

In 2016, the Turkish Lira depreciated against the U.S. Dollar by 20.8% on a nominal basis, and the CPI-based real effective exchange rate increased to 97.5 from 92.1 during the same period; indicating 5.5% real depreciation. The real effective exchange rate stands at 88.2 as of January 2017.

- ff. The last two sentences in the 13th paragraph of the risk factor entitled "***Political developments in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***" are hereby deleted in their entirety and replaced with the following:

Although there have been a number of positive recent developments in Turkey's relationship with Russia, including President Putin ordering the Russian government to normalise trade ties with Turkey and encouraging Turkey to take certain steps that Russia has indicated are a prerequisite for the gradual lifting of an embargo on certain food items, there can be no assurance that such developments will result in a full recovery in Turkey-Russia relations and trade. The Russian sanctions and any protracted diplomatic tension between Russia and Turkey as a result of recent events could have a material adverse effect on the Issuer's business, financial condition and/or results of operations and on the price of the Notes.

Further, on 31 January 2017, the Grand National Assembly approved a bill that would, if approved in a referendum scheduled to be held on 16 April 2017, amend certain articles of the Turkish Constitution to expand the powers of the president to create an executive presidency. Should the majority vote to approve the package of constitutional amendments, then: (a) the current parliamentary system will be transformed into a presidential system, (b) the president will be entitled to be the head of a political party and to appoint the ministers, (c) the office of the prime minister will be abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the ministers will be annulled, (e) the president will be entitled to issue decrees as the head of the government and (f) the president will be entitled to instigate the general elections (together with presidential elections). It should be noted that should the majority vote to reject the proposed changes to the constitution, then such vote might lead to early elections. As such, political uncertainty is likely to continue.

- gg. The following is inserted before the third sentence of the risk factor entitled "***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 annual consumer price inflation, which came down to 6.6% in April 2016 with the help of a sharp decrease in food prices, increased to 9.2% in January 2017 due to exchange rate depreciation pass-through, an increase in food prices, adjustments to administered prices and increases in taxes. The Central Bank's inflation target still stands at 5.0% in 2017 but its' inflation expectation for 2017 is 8.0% which is closer to the market consensus.

- hh. The following paragraphs are added to the end of the risk factor entitled "***Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility***":

On 24 November 2016, the European Parliament voted to suspend talks with Turkey on European Union membership. The resolution was passed with 479 votes in favour, 37 against and 107 abstentions. The vote is not binding since the decision ultimately rests with the governments of the European Union's member countries. On 13 December 2016, EU Foreign Ministers rejected the call by the European Parliament to freeze the accession process of Turkey, hence the membership process is still ongoing.

However, the Republic's accession depends on a number of economic and political factors relating to both the Republic and the EU. Although the shared objective of the negotiations is accession, these negotiations are an open-ended process, the outcome and timing of which cannot be guaranteed.

- ii. The eighth paragraph of the risk factor entitled "***Conflict and terrorism in Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects***" is hereby deleted in its entirety and replaced by the following:

On 28 June 2016, terrorists attacked the Istanbul airport. The attacks left 41 dead and at least 239 injured. Turkish officials have blamed the attack on the so-called Islamic State, or ISIS. On 24 August 2016, Turkey began military operations in Syria in an effort to remove ISIS from the Turkish-Syrian border. These operations might lead to retaliatory attacks by terrorist groups, such as ISIS or others, and may create an additional security risk in Turkey. There is on-going tension in the region, which has been elevated following a request by Iraq on 5 October 2016 for the U.N. Security Council to hold a meeting to discuss the presence of Turkish troops in northern Iraq and certain Syrian border regions.

On 10 December 2016 at least 44 people were killed and 155 injured after two explosions outside the Vodafone Arena Stadium in central Istanbul. TAK, an organisation that is tied closely to the PKK and listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States, claimed responsibility for the attack. On 17 December 2016 14 people were killed and 56 people were injured when a car bomb hit a bus carrying off-duty military personnel in the central Turkish city of Kayseri. Turkish officials have blamed the attack on the PKK. On 19 December 2016, Russia's ambassador to Turkey, died after being shot in Ankara. On 1 January 2017, 39 people were killed and 69 were injured when a gunman burst into a nightclub in Istanbul. ISIS later claimed responsibility for the attack. On 5 January 2017, a police officer and a courthouse staff member died and nine people were injured in a car bombing and gunfight in front of a courthouse in Izmir. Turkish officials have blamed the attack on the PKK.

- jj. A new section is added to the end of the Risk Factors entitled "***Akbank may be subject to unexpected tax exposure in relation to the non-applied RUSF in the past***":



On 30 December 2016, a tax inspection report on Akbank has been prepared by the Tax Supervision Committee for the fiscal year of 2011 which provides that Akbank has been fined TL 11,472,900.77 due to its failure to apply RUSF on the commissions received from consumer loans. Akbank has filed an administrative lawsuit requesting stay of execution and cancellation of the administrative decision regarding the tax penalty and the lawsuit is still pending.

The outcome of the lawsuit is unforeseeable as of the date of this Prospectus.

- kk. The section entitled "***Risks Related to the Structure of a Particular Issue of Notes***" is hereby deleted in its entirety and replaced by the following (with references to Conditions in the following being references to the Conditions of the Notes as set forth in "*Terms and Conditions of the Notes*" herein):

#### **Risks Relating to the Structure of the Notes**

Terms used but not defined in this section shall have the meanings given in the Conditions.

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

On any distribution of the assets of the Issuer on its dissolution, winding-up or liquidation (as further described in the definition of "Subordination Event" in Condition 3.4), and for so long as such Subordination Event continues, the Issuer's obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Notes until all such Senior Obligations have been paid in full. Unless the Issuer has assets remaining after making all such payments, no payments will be made on the Notes. Consequently, although the Notes may pay a higher rate of interest than comparable notes that are not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Subordination Event.

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

If a Non-Viability Event occurs at any time, then the Prevailing Principal Amount of each outstanding Note will be permanently Written-Down in the manner described in Condition 6.1.

A Non-Viability Event is defined in Condition 6.2 as the determination by the BRSA that, upon the incurrance of a loss by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable. The Issuer is Non-Viable at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that (a) its operating licence is to be revoked and the Issuer liquidated or (b) the rights of all of its shareholders (except to dividends), and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders.

As of the date of this Prospectus, there are a number of corrective, rehabilitative and restrictive measures that the BRSA may require to be taken under Articles 68 to 70 of the Banking Law prior to any determination of Non-Viability of the Issuer (see "*Turkish Regulatory Environment for Banks*" for further information regarding such corrective, rehabilitative and restrictive measures). It is only, as determined by the BRSA (a) where such measures are not taken either completely or partially, or are taken but the bank's financial structure is not strengthened or it is considered that the bank's financial structure cannot be strengthened, or (b) where the continuation of the operations of the bank is considered as endangering the position for deposit holders and the security and stability of the financial system, or (c) upon the default or insolvency of the bank or fraud of its management, that the BRSA is then authorised under Article 71 of the Banking Law to make the relevant

determination that the bank's operating licence is to be revoked and the bank liquidated or its shareholders rights and management and supervision are to be transferred to the SDIF.

In conjunction with any determination of Non-Viability by the BRSA, the relevant loss(es) of the Issuer may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, as it is a condition of any such transfer that losses are deducted from the capital of existing shareholders, or (b) the revocation of the Issuer's operating license and its liquidation; *however*, the Write-Down of the Notes may take place before any such transfer or liquidation.

Condition 6.1 provides, among other things, that a Write-Down of the Notes shall only take place in conjunction with any such transfer or liquidation, which is intended to ensure that while the Write-Down of the Notes may take place before such transfer or liquidation, the intended respective rankings of the Issuer's obligations (as described in Condition 3.1) are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible or otherwise allowed by law. Where a Write-Down of the Notes does take place before any such liquidation of the Issuer, Noteholders would only be able to claim and prove in the liquidation of the Issuer in respect of the Prevailing Principal Amount of the Notes outstanding following such Write-Down.

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

Should such loss absorption not take place or be so taken into account by the BRSA, subject as described in "Limited Remedies" below, a Noteholder may institute proceedings against the Issuer to enforce the above provisions of the Notes; *however*, to the extent any judgment was obtained in the United Kingdom on the basis of English law as the governing law of the Notes (other than those provisions of the Conditions governed by Turkish law), there is uncertainty as to the enforceability of any such judgment by the Turkish courts. In addition, there are certain circumstances in which the courts of Turkey might not enforce a judgment obtained in the courts of another country, which are more fully described under the section entitled "*Enforcement of Judgments and Service of Process*" on page 63 of the Base Prospectus. Therefore, there can be no assurance that a Noteholder would be able to enforce in Turkey any judgment obtained in the courts of another country in these circumstances.

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

***No Limits on Senior Obligations or Parity Obligations – There will be no limitation on the amount of Senior Obligations or Parity Obligations that the Issuer may incur***

There will be no restriction in the documentation relating to the issuance of the Notes on the amount of Senior Obligations or Parity Obligations that the Issuer may incur. The incurrence of any such obligations might reduce the amount recoverable by the Noteholders on any dissolution, winding-up

or liquidation of the Issuer and might result in an investor in the Notes losing all or some of its investment.

***Limited Remedies – Investors will have limited remedies under the Notes***

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

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

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

The Notes will initially bear interest at the Initial Interest Rate until (but excluding) the Issuer Call Date, at which time the Rate of Interest will be reset to the Reset Interest Rate. The Reset Interest Rate could be less than the Initial Interest Rate and thus could affect the market value of the Notes. See Condition 5 for further information of such resetting of the Rate of Interest, including for the definitions of various terms used in this paragraph.

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

The Issuer will have the right to redeem the outstanding Notes at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the Issuer Call Date, subject to having obtained the prior approval of the BRSA in accordance with Condition 8.3 of the Notes, with any such prior approval of the BRSA subject under Article 8(2)(d) of the Equity Regulation to the conditions that, among other things: (a) the Notes are replaced with an equivalent, or higher, quality of capital, and such replacement does not restrict the Issuer's ability to continue its operations and (b) the Issuer continues to satisfy its applicable capital requirements following the exercise of the redemption option (see paragraph (e) of "*Turkish Regulatory Environment for Banks – New Tier 2 Rules*"). This optional redemption feature is likely to limit the market value of the Notes because, in the period leading up to when the Issuer may elect to so redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed.

An investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and might only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

If a Capital Disqualification Event (as defined in Condition 8.4) occurs at any time after the Issue Date, the Issuer will have the right to redeem the Notes at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. A Capital Disqualification Event includes any changes in applicable law (including the Equity Regulation), or the application or official interpretation thereof (which change in application or official interpretation is confirmed in writing by the BRSA), that results in all or any part of the Prevailing Principal Amount of the outstanding Notes not being eligible for inclusion as Tier 2 capital of the Issuer. Upon such a redemption, the market value of the Notes is unlikely to rise above the price at which they are to be redeemed and investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. This redemption feature is also likely to limit the market value of the Notes during any period in which the Issuer may elect to redeem them, as the market price during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law is yet to become effective.

- ll. The risk factor entitled "Risks Related to the Notes Generally – Effective Subordination – Claims of Noteholders under the Notes will be subordinated to those of certain other creditors" in the Base Prospectus is hereby deleted in its entirety.

- mm. The risk factor entitled "***Risks Related to the Notes Generally – Redemption for Taxation Reasons – The relevant Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of current levels, if any, applicable to interest or other payments on the Notes***" in the Base Prospectus is hereby deleted in its entirety and replaced with the following (with references to Conditions in the following being references to the Conditions of the Notes as set forth in "Terms and Conditions of the Notes" herein):

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

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

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

Jurisdiction, which change, clarification or amendment becomes effective after 9 March 2017, on the next Interest Payment Date, the Issuer would:

- (a) be required to (i) pay additional amounts as provided or referred to in Condition 9 and (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 9 March 2017, is reduced.

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

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

- nn. The second paragraph of the risk factor entitled "***Transfer Restrictions - Transfers of Notes will be subject to certain restrictions and interests in Global Notes can only be held through Euroclear, Clearstream, Luxembourg***" in the Base Prospectus is hereby deleted in its entirety.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the sections of the Base Prospectus (the "**Base Prospectus**") of Akbank dated 5 August 2016 relating to Akbank's U.S.\$3,500,000,000 Global Medium Term Note Programme, entitled as set out in the table below:

	<b>Page references (inclusive)</b>
Presentation of Financial and Other Information	4 to 8
Risk Factors	11 to 62
Enforcement of Judgments and Service of Process	63 to 64
Forward-Looking Statements	67 to 68
Overview of the Issuers and the Programme – Overview of the Issuers – Overview of Akbank	69 to 71
Use of Proceeds	136
Information about Akbank	137
Selected Financial Information	137 to 140
Capitalisation	140 to 141
Business	141 to 168
Risk Management	168 to 198
Management	198 to 205
Ownership and the Sabanci Group	205 to 208
Related Party Transactions	208 to 209
Turkish Banking System	209 to 210
Turkish Regulatory Environment for Banks	210 to 244
Taxation	287 to 290
Subscription and Sale	291 to 296
Appendix 1 – Overview of Significant Differences Between IFRS and BRSA Accounting Principles	302 to 303

- (b) the convenience translation into English of Akbank's audited consolidated statutory financial statements and related notes thereto for the financial year ended December 2016 (the "**Akbank 2016 BRSA Annual Financial Statements**") (including Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Ernst & Young Global Limited's ("**EY**") audit report dated 31 January 2017 issued in respect thereof).
- (c) the convenience translation into English of Akbank's audited consolidated statutory financial statements and related notes thereto for the financial year ended December 2015 (the "**Akbank 2015 BRSA Annual Financial Statements**") (including EY's audit report dated 2 February 2016 issued in respect thereof); and

- (d) the convenience translation into English of Akbank's audited consolidated statutory financial statements and related notes thereto for the financial year ended December 2014 (the "**Akbank 2014 BRSA Annual Financial Statements**") (including EY's audit report dated 2 February 2015 issued in respect thereof).

The Akbank 2016 BRSA Annual Financial Statements, the Akbank 2015 BRSA Annual Financial Statements and the Akbank 2014 BRSA Annual Financial Statements are collectively referred to as the "**Akbank BRSA Financial Statements**".

Copies of the documents listed above from (b) to (e), which are incorporated by reference in this Prospectus are available on Akbank's website at <http://www.akbank.com/en-us/investor-relations/Pages/Financials.aspx> (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). A copy of the Base Prospectus is available on the website of the Irish Stock Exchange (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). On issuance of the Notes, a copy of this Prospectus will be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) and the website of the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)) (each of such websites is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus).

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

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not material for an investor in the Notes or are covered elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The financial statements incorporated by reference into this Prospectus, all of which are in English, were prepared as convenience translations of Akbank's Turkish-language financial statements (which translations Akbank confirms were direct and accurate).

## OVERVIEW OF THE OFFERING

*The following sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following 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 and the Base Prospectus. See, in particular, "Terms and Conditions of the Notes."*

Issue:	U.S.\$500,000,000 Fixed Rate Resettable Tier 2 Notes due 2027 issued under Akbank's U.S.\$3,500,000,000 Global Medium Term Note Programme. The Notes are issued in compliance with Article 8 of the Equity Regulation and the BRSA Tier 2 Approval and subject to the CMB's approval in accordance with the Communiqué on Debt Instruments and Article 15(b) of Decree 32.
Interest and Interest Payment Dates:	<p>The Notes will bear interest from and including the Issue Date (i.e., 15 March 2017) to (but excluding) the Issuer Call Date (i.e., 16 March 2022) at a fixed rate of 7.200 per cent. per annum. From (and including) the Issuer Call Date to (but excluding) the Maturity Date (i.e., 16 March 2027), the Notes will bear interest at a fixed rate equal to the Reset Interest Rate. Interest will be payable semi-annually in arrear on each Interest Payment Date (i.e., 16 March and 16 September in each year) up to (and including) the Maturity Date; <i>provided that</i>, as described in Condition 7.4, if any such date is not a Payment Day (as defined in Condition 7.4), then such payment will be made on the next Payment Date and Noteholders shall not be entitled to further interest or other payment in respect of such delay.</p> <p><b>"Reset Interest Rate"</b> means the rate per annum equal to the aggregate of: (a) the Reset Margin (i.e., 5.026 per cent. per annum) and (b) the 5 Year Mid-Swap Rate (as defined in Condition 5.4), as determined by the Fiscal Agent on the third Business Day immediately preceding the Issuer Call Date (i.e., the Reset Determination Date).</p>
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Issuer at their then Prevailing Principal Amount on the Maturity Date (i.e., 16 March 2027).
Use of Proceeds:	The net proceeds of the offering of the Notes will be applied by the Issuer for its general corporate purposes.
Regulatory Treatment:	Application was made by the Issuer to the BRSA for confirmation that the full principal amount of the Notes will qualify for initial treatment as "Tier 2" capital (as provided under Article 8 of the Equity Regulation), which approval (i.e., the BRSA Tier 2 Approval) is dated 8 July 2015 and numbered 20008792-101.01 [23]-E.10379.



Status:

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

By virtue of the subordination of the Notes set out in Condition 3, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied. Please refer to Condition 3.1 for further information.

Non-Viability/Write-Down of the Notes:

If a Non-Viability Event occurs at any time, then the Issuer will: (a) *pro rata* with the other Notes and any other Parity Loss-Absorbing Instruments and (b) in conjunction with, and such that no Write-Down shall take place without there also being, the maximum possible reduction in the principal amount of and/or corresponding conversion into equity being made in respect of all Junior Loss-Absorbing Instruments and other absorption to the maximum extent allowed by law (within the framework of Article 71 of the Banking Law and/or otherwise under Turkish law and regulations) of the relevant loss(es) by all other Junior Obligations, reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount in the manner described in Condition 6. Please refer to Condition 6 for further information on such potential Write-Downs, including for the definitions of various terms used in this section.

No Set-off or Counterclaim:

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

any such rights shall be deemed to be waived.

No Link to Derivative Transactions, Guarantees or Security:

The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security.

Certain Covenants:

The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates. Please refer to Condition 4 for further information.

Issuer Call:

The Issuer may, having given not less than 30 and not more than 60 days' notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date (i.e., 16 March 2022) at their then Prevailing Principal Amount together with interest accrued to (but excluding) the Issuer Call Date. Please refer to Condition 8.3 for further information.

Optional Redemption for Capital Disqualification Event:

The Issuer may, having given not less than 30 and not more than 60 days' notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption upon the occurrence of a Capital Disqualification Event. Please refer to Condition 8.4 for further information.

Taxation; Payment of Additional Amounts:

Subject to Condition 9, all payments by the Issuer under the Notes will be made without withholding or deduction for or on account of any taxes in Turkey, unless the withholding or deduction of the taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order for the net amounts received by the holders of the Notes after such withholding or deduction to be equal to the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. Please refer to Condition 9 for further information.

Under current Turkish law, withholding tax at the rate of 0% applies to interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*" in the Base Prospectus.

Optional Redemption for Tax Reasons:

The Issuer may, having given not less than 30 and not

more than 60 days' notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all, but not some only, of the Notes outstanding at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption in the event of certain changes in applicable tax law or regulation or the application or official interpretation thereof. Please refer to Condition 8.2 for further information.

Events of Default:

Upon the occurrence of certain events, the holder of any Note may exercise certain limited remedies. Please refer to Condition 11 for further information.

Form, Transfer and Denominations:

Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Global Note in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with the Common Depositary and registered in the name of a nominee for the Common Depositary. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Global Note in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Notes.

Interests in the Global Notes will be subject to certain restrictions on transfer. See "*Transfer Restrictions*" below. Interests in the Regulation S Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect participants, as applicable). Interests in the Rule 144A Global Note will be represented in, and transfers thereof will be effected only through, records maintained by DTC (or its direct or indirect participants, as applicable).

Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 thereafter.

Purchases by the Issuer and Related Entities:

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of, a Related Entity or the Issuer. If so permitted and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may purchase or otherwise acquire Notes in any manner and at any price in the open market or otherwise. Please refer to Condition 8.5 for further

information.

ERISA:

Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), a "plan" as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*" below.

Governing Law:

The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant and any non-contractual obligations arising out of or in connection with any of them will be governed by, and construed in accordance with, English law, except for the provisions of Condition 3 (including as referred to in Condition 6.1), which will be governed by, and construed in accordance with, Turkish 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. The estimate of the total expenses related to admission to trading on the Main Securities Market is €4,000.

Turkish Selling Restrictions:

The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale—Selling Restrictions—Turkey—Akbank*" in the Base Prospectus.

Other Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and beneficial interests therein may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in the United Kingdom and Switzerland. See "*Plan of Distribution – Selling Restrictions*".

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, including certain risks relating to the structure of

the Notes and certain market risks, see "*Risk Factors*".

Issue Price:	100.00 per cent. of the principal amount of the Notes.
Yield:	7.200 per cent. per annum (for the period through the Issuer Call Date).
Regulation S Notes Security Codes:	ISIN: XS1574750292 Common Code: 157475029
Rule 144A Notes Security Codes:	CUSIP: 00972BAB5 ISIN: US00972BAB53 Common Code: 157475045
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	B1 by Moody's and BB by Fitch.  A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Fiscal Agent, Exchange Agent, Principal Paying, Calculation and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG

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

The following discussion contains an analysis of the consolidated results of operations of Akbank as at and for the years ended 31 December 2016, 2015 and 2014. The following discussion should be read in conjunction with the Akbank BRSA Financial Statements and reports and notes thereto incorporated by reference into the Prospectus. The Akbank BRSA Financial Statements have been prepared in accordance with BRSA Principles as described in "Presentation of Financial and Other Information" in the Base Prospectus incorporated by reference herein. Certain information herein is derived from unaudited management accounting records. This discussion includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Risk Factors" in this Prospectus and the Base Prospectus.

### Significant Factors Affecting Akbank's Results of Operations

Numerous factors affect Akbank's results of operations, some of which are outside of Akbank's control. The following identifies certain of such factors that have been significant during the periods under review.

#### *Turkish Economic and Political Environment*

Akbank operates primarily in Turkey. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the unemployment rate, the rate of inflation and fluctuations in exchange rates and interest rates.

The following table sets forth key Turkish economic indicators as at or for the years 2016, 2015 and 2014 (unless otherwise indicated).

	As at or for the year ended 31 December		
	2016	2015	2014
<b>GDP in billion Turkish Lira</b> .....	2,487.9 <sup>(1)</sup>	2,337.5 <sup>(1)</sup>	2,044.5 <sup>(1)</sup>
<b>GDP in billion U.S. Dollars</b> .....	850.3 <sup>(1)</sup>	861.5 <sup>(1)</sup>	934.9 <sup>(1)</sup>
<b>GDP growth (%)</b> .....	2.2 <sup>(1)</sup>	6.1 <sup>(1)</sup>	5.2 <sup>(1)</sup>
<b>GDP per capita in U.S. Dollars</b> .....	10,768 <sup>(1)</sup>	11,014 <sup>(1)</sup>	12,112 <sup>(1)</sup>
<b>Unemployment (%)</b> .....	12.1 <sup>(2)</sup>	10.3	10.0
<b>Central Bank of Turkey policy rate (%)</b> .....	8.50	10.75	11.25
<b>Benchmark yield (%)</b> .....	10.63	10.86	8.02
<b>Inflation (Consumer prices) (%)</b> .....	8.53	8.81	8.17
<b>Exports in billion U.S. Dollars</b> .....	142.6	143.8	157.6
<b>Imports in billion U.S. Dollars</b> .....	198.6	207.2	242.2
<b>Trade deficit in billion U.S. Dollars</b> .....	56.0	63.4	84.6
<b>Current account deficit in billion U.S. Dollars</b> .....	32.6	32.1	43.6
<b>Budget deficit in billion Turkish Lira</b> .....	29.7	23.5	23.4

#### Notes:

(1) As at 30 September 2016. On 12 December 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for the previous periods that were calculated in line with the former method. In line with the calculations made with the new method, GDP contracted by 1.8% in the third quarter of 2016. GDP growth for the first quarter and second quarter of 2016 were each revised to 4.5% from 4.7% and 3.1%, respectively, and GDP growth in full year 2015 was revised to 6.1% from 4.0%.

(2) As at 30 November 2016.

Sources of macro-economic data: Central Bank of Turkey, Turkish Statistical Institute General Directorate of Public Accounts, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources.

In 2014, 2015 and 2016, GDP growth in Turkey remained significantly below the relatively high GDP growth rates experienced in 2010 through 2013. Unemployment rates have generally increased over the period, with interest rates and exchange rates experiencing volatility. In addition, during most of that period there has been considerable regulatory pressure aimed at curbing consumer credit growth, all of which have

adversely affected Akbank's rate of growth during the periods under review. More recently, a number of these regulatory pressures have eased or reversed as regulators have sought to address flagging growth, particularly in consumer credit, following the attempted coup in Turkey in July 2016.

On 8 October 2013, the BRSA announced new regulations that aimed to limit the expansion of consumer loans, especially credit card loans, and increase the share of commercial loans as a percentage of total loans within the Turkish banking sector. These amendments included (i) increasing general provisions for consumer loans (except for housing loans) while decreasing such provisions for SME and export loans; (ii) increasing risk weightings for consumer loans (except for housing loans); and (iii) restricting credit card limits and instalment payments.

Due to accelerated capital outflows from emerging markets beginning in May 2013 and increased domestic political concerns, the Turkish Lira depreciated rapidly in December 2013 and January 2014 and the risk premium for Turkish assets increased. In order to support financial stability and in response to rising inflation, the Central Bank of Turkey announced a significant interest rate increase on 28 January 2014.

Turkish GDP growth in 2014 was 5.2%, principally reflecting limited growth in private consumption which represents almost 60% of Turkey's GDP. As a result of the Central Bank of Turkey's tight monetary policy and the measures taken by the BRSA to control the increase in consumer loans in the last quarter of 2013, domestic consumption weakened and the current account deficit improved significantly falling to U.S.\$43.6 billion in 2014, compared to U.S.\$63.6 billion in 2013. Political conditions also stabilised somewhat following local and presidential elections in March and August 2014. These stabilising measures and the improved domestic political situation in Turkey in the second half of 2014 also helped to support loan growth in the Turkish banking sector and contributed to the growth in Akbank's loan portfolio.

On 3 October 2014, the BRSA announced a new regulation regarding consumer banking-related fees that set certain caps on fees and eliminated fees on many instruments that were previously charged. The new fee regulation has had a negative impact on Turkish banks' fee income-generation, and therefore their profitability. Further the new fee regulation has had and is likely to continue to have a negative impact on Akbank's profitability.

In 2015 and continuing through 2016, economic conditions were volatile in many emerging markets, including Turkey, as a result of several factors, including uncertainty regarding Turkey's political and macroeconomic conditions, continued uncertainty regarding the timing and magnitude of interest rate increases by the U.S. Federal Reserve, heightened concerns regarding global growth, including as a result of slowdown in China's growth, continued violence in Syria and Iraq, continued concerns regarding the uncertainty in Ukraine, sanctions implemented against Russia and concerns regarding European economic, political and financial conditions, all of which had a negative impact on economic growth in Turkey in the short-term and resulted in increased interest rates and a large depreciation of the Turkish Lira. In nominal terms, between 31 December 2014 and 30 September 2015, the Turkish Lira depreciated against the U.S. Dollar by 30.0%, although the decline was partly reversed following the second general election on 1 November 2015, and the Turkish Lira has remained relatively strong when compared to local currencies of other emerging economies since the November election. Turkish GDP growth in 2015 was 6.1%, principally reflecting some decline due to the continued weakness in Turkey's main export markets in Europe as well as continued volatility across emerging markets. Akbank's total loan growth was 12.7% in 2015.

In July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The attempted coup was ultimately unsuccessful but resulted in the government declaring a state of emergency (which continues to date), thousands of arrests and downgrades by the ratings agencies. See also *"General Risks—Risks Related to Turkey and Other Related Risks—The attempted military coup in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects."*

Despite continued uncertainty in global and regional macro-economic conditions, Turkey's GDP grew 2.2% in the nine months ended 30 September 2016 from the nine months ended 31 September 2015. This growth was principally driven by domestic demand, especially from government-driven spending. The growth contribution of external demand remains negative due to stagnant global demand conditions and on-going geopolitical risks. Currency depreciation in the last quarter of 2016 was 17.9%. The inflation rate increased to 8.53% at the end of the year because of the pass through impact of foreign exchange rate increases and the sharp rise in food prices.

The depreciation in the Turkish Lira along with persistent increases in food prices is expected to lead to continued elevated levels of inflation. In nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 2.5% between 30 December 2016 and 21 February 2017, which depreciation was in part a result of geopolitical risks, the uncertainty resulting from domestic political developments and the pressure on emerging market currencies. The most recent Inflation Report released by the Central Bank of Turkey on 31 January 2017 projects the consumer inflation rate to be 8.0% in 2017 due to lagged effects of local currency depreciation as well as food prices. The Central Bank followed an easing cycle in monetary policy during 2016 and, but after sharp depreciation in Turkish Lira since November, the Central Bank started tightening financial conditions using a combination of policy actions, rather than the originally announced policy of simplifying monetary policy. The Central Bank directed banks to use the late liquidity window facility by decreasing the amount of funding provided by the overnight lending rate significantly and then hiked both the overnight lending rate and the interest rate at late liquidity window at the January 2017 meeting. As a result, the weighted average cost of the Central Bank's funding increased to 10.4% as of 16 February 2017 from 8.3% as of 30 December 2016.

In anticipation of an expected slowdown of growth in 2016, Akbank adopted a more selective lending strategy during 2016. This more selective lending strategy focused on the retail, credit cards and consumer (particularly consumer mortgages) segments and maintained a selective approach to FX lending. The selective lending strategy is further described below under "*Loan Portfolio Growth and Asset Quality*".

See "*Risk Factors – General Risks – Risk Factors Related to Turkey and Other Related Risks*" of the Base Prospectus incorporated by reference herein.

#### *Loan Portfolio Growth and Asset Quality*

Akbank's loan growth increased in 2016 as compared to 2015, this was primarily due to a decrease in retail loans within the consumer and credit card sectors throughout 2015 which consequently led to lower annual TL loan growth as compared to 2016. However in 2016, despite pursuing a selective growth strategy and recording lower sector growth in the consumer loans sector, there was no negative impact on Akbank's total loan growth.

Between 2013 and 2016, Akbank pursued a growth strategy focused on specific higher yielding products as well as a policy of changing its asset mix by decreasing the percentage of securities relative to loans and increasing its lending in all areas with a particular focus on high-yielding TL-denominated loans. The policy of changing the asset mix from securities to loans and changing the loan mix towards higher-yielding products principally between 2013 and 2015 resulted in an increase of the share of loans as a percentage of Akbank's total assets from 56% as of 31 December 2012 to 61% as of 31 December 2016.

While Akbank broadly continued this policy during the year 2016, since the end of 2014 it has placed a relatively greater focus on the medium and large segments of TL-denominated corporate and commercial loans, and a relatively smaller focus on small and micro loans and consumer and credit card loans. Since the beginning of the third quarter of 2016, while broadly continuing this policy, Akbank considers opportunistically maintaining or increasing consumer loan levels on a limited basis when it believes it is commercially reasonable to do so.



Akbank's current market share in business banking loans is around 10%. Akbank aims to increase their share to around 12% in the medium-term by focusing on TL loans. With regards to the retail sector, Akbank's current market share is around 9%. Akbank aims to maintain this market share or increase it depending on the pricing in the market. However with regards specifically to credit cards, Akbank's aims to increase its market share from 12.5% to an optimal level of 14% in the midterm.

The table below sets forth Akbank's total loans, total securities, and total deposits in Turkish Lira and foreign currency as at 31 December 2016, 2015 and 2014.

	<i>As at 31 December</i>								
	<i>2016</i>			<i>2015</i>			<i>2014</i>		
				<i>(in TL billions)</i>					
	<i>TL</i>	<i>FC</i>	<i>Total</i>	<i>TL</i>	<i>FC</i>	<i>Total</i>	<i>TL</i>	<i>FC</i>	<i>Total</i>
Total Loans .....	109.0	69.9	178.9	93.0	60.5	153.5	85.9	50.3	136.1
Total Securities .....	23.7	29.1	52.8	24.8	29.2	54.0	27.2	21.2	48.4
Total Deposits .....	84.4	89.5	174.0	69.0	80.5	149.5	65.3	57.0	122.3

Akbank's total loan growth was 16.6% and 12.7% in the years ended 2016 and 2015, respectively.

Akbank's total loans were TL178.9 billion as of 31 December 2016 and were TL153.5 billion as of 31 December 2015, a TL25.4 billion or 16.6% increase. TL-denominated business loans, mainly corporate and commercial, were the main reasons behind the growth. TL-denominated business loans increased from TL50.0 billion as at 31 December 2015 to TL65.1 billion as at 31 December 2016, an increase of 30.1%. As at 31 December 2016, TL-denominated business loans represented 36% of Akbank's total loans.

Akbank's total loans were TL153.5 billion as at 31 December 2015 and TL136.1 billion as at 31 December 2014, a TL17.4 billion or 12.7% increase, with the highest growth of 27% in TL-denominated business loans in the year ended 31 December 2015.

Consumer loans slightly increased by 2.6% and credit cards outstanding balance increased by 1.4% in 2016 compared to the 2015 year-end.

These trends largely resulted from Akbank's lending policies which in part reflected the measures taken by the BRSA at the end of 2013 to control the increase in consumer lending, including particularly restrictive measures on credit cards and consumer loans, some of which have been reversed in part following the economic slowdown in 2016. Additionally, in light of depreciation of the Turkish Lira and weakening of the Euro to the U.S. Dollar, demand for foreign currency lending was muted and this, combined with Akbank's lending strategy, resulted in a decrease of 4.8%, versus 5.1% growth for the Turkish banking sector, in U.S. Dollar terms 2016. Despite Akbank's selective growth strategy, Akbank's overall lending growth of 16.6% was in line with the Turkish banking sector trend.

#### *Asset Quality*

Akbank's NPL ratio has also generally remained lower than the sector. Akbank's NPL ratio was 2.3%, 2.2% and 1.7% as of 31 December 2016, 2015 and 2014, respectively. During the same periods, the NPL ratio of the Turkish banking sector was 3.2%, 3.1% and 2.8%, respectively. In 2013, Akbank's NPL ratio was impacted by adverse macroeconomic conditions starting from June 2013 which resulted from political uncertainties in Turkey, global monetary policies and a reduction in overall risk appetite for emerging markets. The increase in Akbank's NPL ratio as of 31 December 2015 and as of 31 December 2014 was mainly due to economic uncertainties (driven by domestic and international factors) and fluctuations in interest rates and the Turkish Lira. These trends negatively impacted credit card and consumer debt as well as several corporate and commercial loans that became non-performing (i.e., over 90 days past due) during the period. Akbank's NPL ratio was further adversely impacted by regulatory restrictions on credit card

limits which impacted repayment capabilities of borrowers during 2014 and 2015. Akbank's NPL ratio was broadly stable in 2016 despite challenging domestic conditions, including the attempted coup, as a result of Akbank's prudent risk management and selective lending strategy, especially evident over the previous two years.

Asset quality remains an on-going concern of Turkish banks given potential risks to economic growth, the depreciation of the Turkish Lira and interest rate volatility. Nevertheless, Akbank believes that it is well-positioned to manage asset quality as a result of its below sector-average non-performing loan ratio to date and provisioning policies described above. However, fluctuations in market conditions may lead to deterioration of asset quality, particularly if there are significant one-off losses. For example, press reports have indicated that a syndicate of Turkish and international banks, including Akbank, entered into a US\$4.75 billion syndicated loan with Ojer Telekomunikasyon AS ("**Otas**") in 2013. Otas is the owner of 55% of the shares in Turk Telekomunikasyon AS (Turkey's largest telephone company) ("**Turk Telekom**"). Approximately 30% of Turk Telekom's outstanding shares are owned by the Turkish government. Recent further press reports have indicated that Otas has been subject to some early indications of financial difficulty, including a missed interest payment in September 2016. As of the date hereof, this loan is considered as performing applying the BRSA related decrees and interpretations, according to which Akbank is required to prepare its financial statements. Akbank currently has no reason not to believe that a solution satisfactory to all interested parties will be reached. However, no assurance can be made as to the timing or terms of any such agreement or whether any agreement will be reached at all. In the event such loan or other material loans become non-performing or there is a slowdown in economic conditions, this could have a material adverse effect on the asset quality of Turkish banks, including Akbank. See "*Risk Factors—Risks Related to Akbank—Akbank may experience credit default arising from adverse changes in credit and recoverability that are inherent in Akbank's banking businesses and its customer base*" in the Base Prospectus.

#### *Interest Rate Environment in Turkey*

There have been and are expected to be significant changes in interest rates in Turkey reflecting both macroeconomic factors and conventional and unconventional action by the Central Bank of Turkey. In general, increases in interest rates allow Akbank to increase its revenue from loans due to higher rates that Akbank is able to charge. Akbank benefits from a higher return on its excess capital. However, such an increase may adversely affect Akbank's results of operations as a result of reduced overall demand for loans and greater risk of default by Akbank's customers. In addition, increased interest rates affect Akbank's funding costs and can adversely affect Akbank's net income if Akbank is unable to pass on the increased funding costs to its customers. On the other hand, a decrease in interest rates can reduce Akbank's revenue from loans as a result of lower rates on Akbank's loans. This reduction of revenue may however be offset in whole or in part by an increase in the volume of Akbank's loans resulting from increased demand for loans and by a decrease in Akbank's funding costs.

On average, principally due to the short-term nature of the majority of Akbank's customers' time deposits, Akbank's interest bearing liabilities are generally repriced faster than its interest-earning assets. Reductions in interest rates are repriced into Akbank's liabilities after approximately 251 days as of 31 December 2016. At the same time, the repricing of its loans and securities is slower, at between 403 and 935 days as of 31 December 2016, due to their longer maturities, resulting in a widening of the net interest margin earned by Akbank. Accordingly, an increase in interest rates results in narrowing margins in the short term. On 28 January 2014, the Central Bank of Turkey increased the overnight interest rate to 8.0%. On the same date the repo rate, which is considered the policy rate, was increased from 4.5% to 10.0%. As a result of reduced political uncertainties and an improvement in risk premium indicators following the local elections in March 2014, the Central Bank of Turkey reduced the repo rate from 10.0% to 9.5% on 22 May 2014, to 8.75% on 25 June 2014 and to 8.25% on 17 July 2014 and kept at 8.25% until the start of 2015. Additionally, the overnight lending rate decreased from 11.25% in December 2014 to 10.75% in February 2015. In January 2015, the Central Bank of Turkey started an easing cycle in monetary policy in line with the favourable inflation outlook mainly due to decreasing oil prices and favourable base effects. Decreasing oil prices also

have had a positive impact on the current account deficit: the current account deficit/GDP ratio decreased to 5.5% in 2014 from 7.9% in 2013. However, any further decrease in the current account deficit may not be sustained as a result of the recent depreciation of the Turkish Lira or any increase in global oil prices. The Central Bank of Turkey cut the repo rate from 8.25% to 7.75% on 20 January 2015 and again to 7.50% on 23 February 2015. In 2016, due to an improving inflation outlook, the Central Bank of Turkey continued to decrease the overnight lending rate from 10.75% in December 2015 to 8.25% in September 2016 and the one-week repo rate has been kept constant at 7.50%. However, after the sharp depreciation of the Turkish Lira, the Central Bank increased the 1 week repo rate to 8% and lending rate to 8.5% in November 2016. Based on the Central Bank's view that the continuing depreciation of the Turkish Lira could lead to higher inflation, the Central Bank employed the late liquidity window facility (interest rate 10%) to raise funding costs in mid January 2017. In the January meeting, CBRT raised both the lending rate to 9.25% and the late liquidity window rate to 11% and the 1 week repo rate remained constant at 8.00%.

The following table sets forth Akbank's net interest margin (computed as net interest income for the period as a percentage of average interest earning assets) for the indicated periods from 1 January 2014 to 31 December 2016.

First Half 2014 .....	3.46%
Second Half 2014.....	3.53%
First Half 2015 .....	3.27%
Second Half 2015.....	3.27%
First Half 2016 .....	3.26%
Second Half 2016.....	3.28%

In the first half of 2014, the decline in net interest margin continued mainly due to tightening of monetary policy and the resulting increase in the cost of deposits, which outpaced loan repricing. In the second half of 2014, net interest margin increased mainly due to easing of the monetary policy which positively impacted loan-deposit spreads as interest-bearing liabilities repriced faster.

In the first half of 2015, Akbank's net interest margin decreased principally due to lower yields from its CPI-linked securities as the applicable CPI-indicating return (the October to October annual inflation estimate) decreased to 7.0% from 9.0% in October 2014, while its cost of deposits increased due to the continued increase in average TL market interest rates in an uncertain environment where U.S. Federal Reserve rate action was expected but the timing or the extent of such action was not yet known as well as economic and political uncertainties and fluctuations in interest rates. As a result, Akbank's yields from its CPI-linked securities fell significantly during this period, which had a negative impact on net interest margins for the full year. Also, Akbank sought to increase deposits as a percentage of its core liabilities, which also has impacted net interest margin during the period.

In the first half of 2016, Akbank managed to keep its net interest margin flat as the bank has decreased its duration gap significantly and managed to reflect the higher cost of deposits in its lending rates. Thus the cumulative net interest margin was broadly stable throughout the year.

For further information, see "*Selected Statistical and Other Information—Interest Earning Assets: Yield, Margin and Spread*".

#### *Exchange Rates*

A significant portion of Akbank's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As of 31 December 2016, 50.2% of Akbank's total assets and 53.0% of Akbank's total liabilities were denominated in foreign currencies. As of 31 December 2015, 49.8% of Akbank's total assets and 54.0% of Akbank's total liabilities were denominated in foreign currencies. Akbank monitors its net

open position in foreign currencies and historically has sought to be fully hedged in terms of foreign currency exposure through entering into derivative foreign exchange transactions.

In addition, the BRSA imposes a foreign currency position limit which is defined as an amount plus/minus 20% of the total capital used in the calculation of regulatory capital adequacy ratios.

Akbank's foreign currency net open position ratio was 1.4% as of 31 December 2016, as compared to 2.1% and 3.3% as of 31 December 2015 and 2014, respectively.

Akbank converts such assets and liabilities and interest earned from and paid on those assets and liabilities into Turkish Lira in preparing its financial statements. As a result, Akbank's financial results are impacted by changes in foreign exchange rates. For years ended 31 December 2016, 2015 and 2014, Akbank recorded net foreign exchange loss of TL236.5 million, gain of TL421.0 million and gain of TL516.3 million, respectively.

Exchange rate movements also affect the Turkish Lira-equivalent value of Akbank's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Exchange rates may also impact Akbank's asset quality, particularly when there is significant depreciation of the Turkish Lira, as some of Akbank's corporate and commercial customers borrow in foreign currencies and may not have sufficient foreign currency income or reserves to service higher relative costs.

#### *Securities Portfolio*

The share of Akbank's securities portfolio, which comprises primarily Turkish government securities and smaller holdings of other securities such as corporate debt securities, in its total assets decreased to 17.9% as of 31 December 2016 from 22.2% as of 31 December 2014 as a result of Akbank's strategy of changing its asset mix by decreasing the percentage of securities. Historically, Akbank's securities portfolio has generated a substantial portion of its income but Akbank has viewed active lending as potentially more lucrative, particularly in the current interest rate environment.

The share of total interest income from Akbank's marketable securities decreased to 16.8% in 2016, as compared to 18.4% and 25.3% in the years ended 31 December 2015 and 2014, respectively. In 2016, interest income on marketable securities was TL3.2 billion and interest income on loans was TL15.1 billion.

As at 31 December 2016, Akbank's total securities comprised 65.6% fixed rate securities, 9.4% floating rate securities (excluding CPI-linked securities) and 25.0% CPI-linked securities, compared to 66.6%, 10.6% and 22.8%, respectively, as at 31 December 2015, compared to 55.7%, 9.7% and 34.6%, respectively, as at 31 December 2014.

As Akbank's securities portfolio is comprised largely of Turkish government debt denominated principally in Turkish Lira and to a lesser extent in U.S. Dollars and other major currencies), Akbank does not expect any significant credit losses on its securities portfolio. Its trading portfolio and available-for-sale investment securities portfolio are marked-to-market with the mark-to-market losses or gains being included in income (for the trading portfolio and where there is a permanent impairment of available-for-sale securities) or shareholders' equity (for the available-for-sale portfolio) as appropriate. In case of permanent impairments of held-to-maturity securities, such impairment losses are also recognised in income.

See "*Selected Statistical and Other Information—Securities Portfolio*".

### *Akbank's Provisioning Policy for Impaired Loans*

Akbank has a more conservative policy regarding provisions for NPLs than required by the BRSA. As of 31 December 2016, Akbank has set aside 96.4% of its NPLs through specific provisioning for its non-performing loans. This percentage exceeds the minimum required specific provisions as the relevant BRSA regulations, which among other factors take into account a loan's level of collateralisation. Together with general provisioning, Akbank's total provisions equalled 165.0% of its NPLs as of 31 December 2016.

The audit reports for the Akbank 2016 BRSA Annual Financial Statements, Akbank 2015 BRSA Annual Financial Statements and the Akbank 2014 BRSA Annual Financial Statements included a qualification relating to the general reserve allocated by Akbank's management for the possible results of the circumstances that may arise from any changes in the economy and market conditions. During the year ended 31 December 2014, Akbank reversed TL70 million of the general reserve (this was recorded under "Other operating income"), with a balance of TL200 million as of 31 December 2014. As of 31 December 2016, Akbank has not increased or decreased its general reserve and TL200 million remains set aside. This general reserve may be reversed or re-allocated by management in future periods, which may cause Akbank's net profit to be higher in future periods than it otherwise, would be in the absence of such reversal or re allocation.

See "*Risk Management—Identification and Remediation of Problem Loans*".

### **Critical Accounting Policies**

The accounting policies adopted by Akbank are critical to understanding its financial condition, results of operations and the Akbank BRSA Financial Statements and the notes thereto. These accounting policies are described in detail in the notes to the Akbank 2016 Annual BRSA Financial Statements incorporated by reference herein under "*Section Three—Accounting Policies*". Certain of Akbank's accounting policies require significant managerial judgement on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on historical experience and other factors considered reasonable and significant by Akbank's management. Akbank has established policies and control procedures intended to ensure that stringent valuation methods are applied in accordance with applicable accounting principles during the preparation of its financial statements for the relevant period. The following is a brief description of Akbank's current accounting policies that require significant managerial judgement or otherwise are critical to the results of operations and financial condition presented in the Akbank BRSA Financial Statements.

#### ***Forward Transactions and Derivative Instruments***

The major derivative instruments utilised by Akbank are currency and interest rate swaps, cross currency swaps, currency options and currency forwards. The Bank does not engage in speculative trading.

Akbank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("**TAS 39**"). In accordance with TAS 39, although certain derivative transactions provide effective economic hedges under Akbank's risk management position, they are treated as derivatives "Held-for-trading."

Payables and receivables arising from the derivative instruments are included in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to "Trading derivative financial assets" or "Hedging derivative financial assets"; if the fair value difference is negative, it is recorded to "Trading derivative financial liabilities" or "Hedging derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" in the income statement. The

fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted for according to the standard applied to the host contract.

### ***Interest Income and Expense***

Interest income and expenses are recognised using the "Effective interest method". Akbank Group ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

### ***Fees and Commission Income and Expense***

Fees and commission income/expenses are primarily recognised on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract-based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

### ***Financial Assets***

#### ***Financial assets at the fair value through profit or loss***

Trading financial assets are financial assets which are either acquired to generate a profit from short-term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

All regular purchases and sales of trading financial assets are recognised at the settlement date, which is the date that the asset is delivered to/from Akbank. Trading financial assets are initially recognised at fair value and re-measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Interest earned while holding trading financial assets is accounted as interest income and dividends received are included separately in dividend income.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes.

Akbank has no financial assets designated as financial assets at fair value through profit or loss.

#### ***Financial assets available-for-sale***

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

After the recognition, financial assets available-for-sale are re-measured at fair value. Interest income arising from available-for-sale is calculated using the "Effective interest method" and dividend income from equity securities is reflected in the income statement. "Unrealised gains and losses" arising from the difference between the amortised cost and the fair value of securities classified as available-for-sale are recognised in the account of "Marketable securities valuation differences" under shareholder's equity, unless these assets

are impaired, collected, sold or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognised at the discounted value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

If the collectability of any receivable is identified as limited or doubtful by management assessments and estimates, Akbank provides general and specific provisions for these loans and receivables. Provision expenses are deducted from the net income of the period. If there is a subsequent collection from a receivable which has already been provisioned in the previous years, the recovery amount is classified under other operating income. If a receivable is collected which is provisioned in the same year, it is deducted from the special provisions for loans and other receivables. Uncollectible receivables are written-off after all the legal procedures are finalised.

#### *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those that such entity upon initial recognition designates as at fair value through profit or loss, those that such entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognised at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognised at amortised cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in the income statement.

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

Akbank has CPI-linked government bonds under available-for-sale and held-to-maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. These marketable securities are valued and accounted by using the effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in the "Inflation Indexed Bonds Manual" published by the Turkish Treasury, the reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

#### *Provisions and Contingent Liabilities*

Provisions are recognised when Akbank has a present legal or contingent 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 periodicity principle. When the amount of the obligation cannot be reliably estimated and/or there is no

possibility of an outflow of resources from Akbank, it is considered that a contingent liability is disclosed in the related notes to the financial statements.

## ***Taxation***

### *Current tax*

In Turkey, the corporate tax rate is 20%. Corporate tax is calculated on Akbank's total income after adjusting for certain disallowable expenses, tax-exempt income and other allowances. No further tax is payable unless the profit is distributed. A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies must file their tax returns by the 25th day of the fourth month following the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing during which time period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Current tax, related to items recognised directly in equity, is also credited or charged directly to equity.

### *Deferred tax*

Akbank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date. Deferred tax liabilities are recognised for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax asset is not provided over provisions for possible risks and general loan loss provisions.

Deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather, they are presented separately as assets and liabilities in the financial statements. Deferred tax related to items recognised directly in equity is also credited or charged directly to equity.

### *Information on taxation in foreign associates*

#### **Akbank AG (Germany)**

German-resident corporations (i.e. corporations with legal or business centres located in Germany) are subject to corporate taxation in Germany over their total income. Regardless of any profit distribution corporate tax is levied at 15% over total income. The effective corporate tax rate is 15.825% since an additional solidarity tax of 5.5% is applied over the calculated corporate tax. In addition to that, trade income tax at an approximate rate of 16% is levied by the local city governance. Accordingly, the total tax burden including all types of tax (corporate tax, solidarity tax and trade income tax) is approximately 32%.

#### **Akbank (Dubai) Limited (United Arab Emirates)**

Akbank Dubai, operating in Dubai International Finance Center, is not subject to taxes according to the laws of Dubai or the UAE.

On 27 December 2016, Akbank disclosed that it had decided to liquidate its subsidiary in Dubai (Akbank Dubai Limited) and to open a representative office in place thereof.



### **Accounting Policy Changes**

There have been no accounting policy changes since 2008.

## Analysis of Results of Operations and Financial Condition

The table below sets out Akbank's summary income statement for the years ended 31 December 2016, 2015, and 2014.

<i>For the year ended 31 December</i>					
	2016	2016/ 2015 Change %	2015	2015/ 2014 Change %	2014
<i>(TL thousands, except percentages)</i>					
Interest income.....	18,961,635	19.6%	15,855,073	7.9%	14,690,586
Interest expense.....	10,471,166	26.7%	8,266,368	10.7%	7,470,308
<b>Net interest income.....</b>	<b>8,490,469</b>	<b>11.9%</b>	<b>7,588,705</b>	<b>5.1%</b>	<b>7,220,278</b>
Net fee and commission income.....	2,569,397	3.3%	2,486,906	2.1%	2,436,707
Dividend income.....	2,658	16.8%	2,275	64.7%	1,381
Trading income/(loss) (net).....	945,980	1330.1%	66,146	(187.6)%	(75,476)
Other operating income.....	907,467	47.8%	613,927	(3.2)%	633,895
<b>Total operating income.....</b>	<b>12,915,971</b>	<b>20.1%</b>	<b>10,757,959</b>	<b>5.3%</b>	<b>10,216,785</b>
Provision for loan losses and other receivables.....	2,250,176	1.3%	2,221,082	6.9%	2,076,858
Other operating expenses.....	4,464,913	2.5%	4,357,805	14.5%	3,806,435
<b>Net operating income/(loss).....</b>	<b>6,200,882</b>	<b>48.4%</b>	<b>4,179,072</b>	<b>(3.6)%</b>	<b>4,333,492</b>
Tax provision for continuing operations.....	1,346,703	41.8%	949,706	(0.5)%	954,846
<b>Net income/(loss).....</b>	<b>4,854,179</b>	<b>50.3%</b>	<b>3,229,366</b>	<b>(4.4)%</b>	<b>3,378,646</b>

The following table identifies the share that net interest income, net fee and commission income, dividend income, trading income and other operating income have represented in Akbank's total operating income for each of the indicated periods.

<i>For the year ended 31 December</i>			
	2016	2015	2014
Net interest income.....	65.7%	70.9%	70.7%
Net fee and commission income.....	19.9%	22.8%	23.9%
Dividend income.....	0.0%	0.0%	0.0%
Trading income/(loss) (net).....	7.3%	0.6%	(0.7)%
Other operating income.....	7.1%	5.7%	6.1%
<b>Total operating income.....</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Net Income

The following tables set out the principal components of Akbank's net income for the years ended 31 December 2016, 2015 and 2014.

	For the year ended 31 December			% change	
	2016	2015	2014	2016/2015	2015/2014
	(TL thousands, except percentages)				
Interest and similar income .....	18,961,635	15,855,073	14,690,586	19.6%	7.9%
Interest expense and similar charges .....	10,471,166	(8,266,368)	(7,470,308)	26.7%	(210.7)%
Non-interest income <sup>(1)</sup> .....	4,425,502	3,169,254	2,996,507	39.6%	5.8%
Provision for loan losses and other receivables .....	2,250,176	(2,221,082)	(2,076,858)	1.3%	(206.9)%
Other operating expenses .....	4,464,913	(4,357,805)	(3,806,435)	2.5%	(214.5)%
Tax provision for continuing operations .....	(1,346,703)	(949,706)	(954,846)	41.8%	(0.5)%
Income/(loss) from the group.....	4,854,179	3,229,366	3,378,639	50.3%	(4.4)%

Income/(loss) from minority interest.....	11	9	7	22.2%	28.6%
<b>Net income .....</b>	<b>4,854,179</b>	<b>3,229,366</b>	<b>3,378,646</b>	<b>50.3%</b>	<b>(4.4)%</b>

Note:

(1) Non-interest income comprises net fee and commission income, dividend income, trading income/(loss) (net) and other operating income.

Akbank's net income for the year ended 31 December 2016 was TL4.9 billion, a 50.3% increase compared to TL3.2 billion for the year ended 31 December 2015. Return on average total assets was 1.8% for the year ended 31 December 2016 compared to 1.3% for the corresponding period in 2015. Return on average shareholders' equity (excluding non-controlling interest) was 16.0% for the year ended 31 December 2016 compared to 12.1% for the year ended 31 December 2015. The sector average return on average shareholders' equity was 13.3% for the year ended 31 December 2016 on a standalone basis.

Akbank's net income for the year ended 31 December 2015 was TL3.2 billion, a 4.4% decrease compared to TL3.4 billion in the year ended 31 December 2014. Return on average total assets was 1.3% for the year ended 31 December 2015 and 1.6% for the year ended 31 December 2014. Return on average shareholders' equity (excluding non-controlling interest) was 12.1% for the year ended 31 December 2015 compared to 14.1% for the year ended 31 December 2014. The sector average was 10.7% for the 2015 on a standalone basis.

### ***Net Interest Income***

Akbank's net interest income is the difference between the interest income that it earns on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Its primary sources of interest income are interest on loans and interest on marketable securities (principally Turkish government securities denominated in TL).

The table below sets out the principal components of Akbank's net interest income for the the years ended 31 December 2016, 2015 and 2014.

	For the year ended 31 December			
	2016	Change (%)	2015	Change (%)
	(TL thousands, except percentages)			
<b>Interest Income – Interest Expense:</b>				
Interest on loans.....	15,053,409	21.7%	12,367,124	16.7%
Interest from reserve requirements .....	222,852	277.8%	58,992	1923.7%
Interest from banks .....	106,906	76.5%	60,560	64.8%
Interest from money market transactions .....	22,938	(82.2)%	128,543	101.9%
Interest from marketable securities .....	3,189,980	9.6%	2,909,443	(21.8)%
Financial lease income.....	322,607	9.5%	294,510	24.9%
Other interest income.....	42,943	19.6%	35,901	(9.7)%
<b>Total interest income .....</b>	<b>18,961,635</b>	<b>19.6%</b>	<b>15,855,073</b>	<b>7.9%</b>
Interest on deposits .....	8,047,471	30.6%	6,161,481	12.9%
Interest on funds borrowed .....	598,231	37.1%	436,249	16.3%
Interest on money market transactions.....	1,000,344	11.2%	899,474	(10.2)%
Interest on securities issued.....	791,182	6.3%	744,167	21.5%
Other interest expense.....	33,938	35.8%	24,997	8.7%
<b>Total interest expense .....</b>	<b>10,471,166</b>	<b>26.7%</b>	<b>8,266,368</b>	<b>10.7%</b>
<b>Net interest income .....</b>	<b>8,490,469</b>	<b>11.9%</b>	<b>7,588,705</b>	<b>5.1%</b>

Net interest income increased by 11.9% for the year ended 31 December 2016, from TL7.6 billion for the year ended 31 December 2015 to TL8.5 billion, mainly driven by 16.6% growth in total assets and better core spread (loans to deposits spread) between the year ended 31 December 2015 and 31 December 2016, which more than offset higher interest expense on deposits and borrowing. Akbank's total interest expense increased by 26.7% between the year ended 31 December 2015 and 2016 while interest income increased by 19.6% during the same period. The increase in cost of funding was primarily driven by the general upward trend of deposit and borrowing costs resulting from continued increase in average TL market interest rates and the impact of the depreciating Turkish Lira in Akbank's foreign currency borrowing. Akbank's total deposits increased by 16.4%, driven by depreciation of TL against USD which boosted the TL-denominated value of FX deposits (with the level of FX deposits in FX terms decreasing) and an increase in TL-denominated deposits of 11.2% in the year ended 31 December 2016. Akbank actively sought to grow its source of deposits as part of its funding mix compared to money market transactions in order to have a more stable and sustainable funding base. For the same period, total loans increased by 16.6% and total investment securities decreased by 2.4%. Akbank's net interest margin remained stable at 3.28% in the year ended 31 December 2016 compared to 31 December 2015. In the event that annual inflation rates appear to be different than Akbank's current estimates, then Akbank adjusts its returns on its securities portfolio in line with the actual figures. Annual inflation in October 2016 was 7.2% as compared to Akbank's current estimate of 8.0%.

The table below sets out certain additional information about Akbank's net interest margin for the periods indicated:

	<i>For the year ended 31 December 2016</i>	<i>For the year ended 31 December 2015</i>	<i>For the year ended 31 December 2014</i>
(%)			
TL Loans .....	12.26	11.16	10.58
TL Deposits (blended) .....	8.11	7.36	7.41
TL Time Deposits .....	9.97	9.59	8.91
FX Loans .....	4.52	4.24	4.33
FX Deposits (blended) .....	1.63	1.47	1.69
FX Time Deposits .....	1.96	1.69	1.99
<b>Loan-Deposit impact</b> .....			
TL Securities .....	7.71	8.43	10.20
FX Securities .....	3.43	3.56	4.16
<b>Securities Impact</b> .....			
Repo and other impact .....	—	—	—
<b>Net Interest Margin<sup>(1)</sup></b> .....	<b>3.24<sup>(1)</sup></b>	<b>3.28<sup>(1)</sup></b>	<b>3.53<sup>(1)</sup></b>

Note:

- (1) The net interest margin figures presented above have been calculated on a cumulative basis and have been derived from Akbank's unaudited management accounting records and are not directly comparable to the Bank's net interest margin figures presented elsewhere in this Prospectus or the Financial Statements.

Net interest income increased by 11.9% in the year ended 31 December 2016 from TL7.6 billion in the year ended 31 December 2015 to TL8.5 billion, mainly driven by loan growth of 16.6%. Akbank's cost of funding increased 26.7% from the year ended 31 December 2015 to year ended 31 December 2016, while interest income increased by 19.6% during the same period. The increase in interest expense was primarily driven by deposit growth as Akbank's total deposits and TL-denominated deposits increased by 16.4% and 22.4%, respectively, in the year ended 31 December 2016. For the same period, total loans increased by 16.6% and total investment securities decreased by 2.4%. Akbank's net interest margin remained stable in the year ended 31 December 2016, compared to the year ended 31 December 2015.

Net interest income increased by 7.1% in the year ended 31 December 2015 from TL7.2 billion in the year ended 31 December 2014 to TL7.7 billion, mainly driven by a loan growth of 12.7%. Akbank's cost of funding increased 10.7% from the year ended 31 December 2014 to year ended 31 December 2015, while interest income increased by 8.9% during the same period. The increase in interest expense was primarily driven by deposit growth as Akbank's total deposits and TL-denominated deposits increased by 22.2% and 5.7%, respectively, in the year ended 31 December 2015. For the same period, total loans increased by 12.7% and total investment securities increased by 11.4%. Akbank's net interest margin was 3.3% in the year ended 31 December 2015, compared to 3.5% in the year ended 31 December 2014. The decrease in net interest margin is principally attributable to lower income from CPI-linked securities due to lower annual inflation.

See "Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense".

Interest income and interest expense are discussed in greater detail below.

#### *Interest Income*

Interest income is a function of both volume of, and yield earned on Akbank's interest-earning assets, mainly from loans and debt securities.

Interest income was TL19.0 billion for the year ended 31 December 2016, an increase of 19.6% compared to TL15.9 billion for the year ended 31 December 2015. For the year ended 31 December 2016, the increase in interest income was principally due to a 21.7% increase in interest income from loans primarily driven by growth in higher-yielding TL loans and a 9.6% increase in interest income from marketable securities principally driven by improved yields as well as an increase in the average TL market interest rates. Total assets increased by 16.6% as at 31 December 2016 to TL294.5 billion from TL252.4 billion as at 31 December 2015. Investment securities decreased by 2.4% from TL54.0 billion as at 31 December 2015 to TL52.8 billion as at 31 December 2016 and total loans increased by 16.6% from TL153.5 billion as at 31 December 2015 to TL179.0 billion as at 31 December 2016. See "*—Loan Portfolio Growth*".

Interest income was TL15.9 billion for the year ended 31 December 2015, an increase of 8.9% compared to TL14.7 billion for the year ended 31 December 2014. For the year ended 31 December 2015, the increase in interest income was principally due to a 15.8% increase in interest income from loans primarily driven by growth in higher-yielding TL loans while interest income from securities decreased in the same period due to lower CPI-linked income as annual inflation was lower compared to the previous year. Total assets increased by 15.4% from TL218.7 billion as at 31 December 2014 to TL252.5 billion at 31 December 2015, investment securities increased by 11.4% from TL48.4 billion as at 31 December 2014 to TL54.0 billion as at 31 December 2015 and total loans increased by 12.7% from TL136.1 billion as at 31 December 2014 to TL153.5 billion as at 31 December 2015. See "*—Loan Portfolio Growth*".

### Interest Income from Loans

The table below sets out certain key components of Akbank's total loans for the periods presented.

For the year ended 31 December					
	2016	Change %	2015	Change %	2014
	(TL thousands, except percentages)				
Consumer loans .....	29,412	2.6	28,677	(7.5)	30,999
Commercial and small and micro loans .....	68,205	22.9	55,580	16.1	47,892
Credit cards.....	12,819	1.4	12,531	(2.9)	12,904
Corporate loans.....	68,302	20.8	56,531	27.9	44,185
<b>Performing loans.....</b>	<b>178,738</b>	<b>16.6</b>	<b>153,319</b>	<b>12.8</b>	<b>135,980</b>
Non-performing loans.....	4,267	26.5	3,373	44.8	2,330
<b>Total loans and advances to customers .....</b>	<b>183,005</b>	<b>16.8</b>	<b>156,692</b>	<b>13.3</b>	<b>138,310</b>
Allowance for loan losses .....	4,112	27.5	3,226	48.1	2,179
<b>Net loans and advances to customers .....</b>	<b>178,893</b>	<b>16.6</b>	<b>153,466</b>	<b>12.7</b>	<b>136,131</b>

As at 31 December 2016, Akbank's loan portfolio comprised 38.2% corporate, 38.3% commercial and small and micro, 16.4% consumer and 7.1% credit card loans. Interest income from loans was TL15.1 billion in the year ended 31 December 2016, an increase of 21.7% compared to TL12.4 billion in the year ended 31 December 2015 primarily due to higher loan yields as well as growth in loans.

In the year ended 31 December 2016, commercial and small and micro loans increased by 22.8%, credit card loans increased by 1.4%, consumer loans increased by 2.6% (principally driven by GPLs) and corporate loans increased by 38.1%. The increases in small and micro loans and corporate loans was driven by higher demand for TL borrowing from Akbank's customers due to a trend of switching to TL from FX and Akbank's strategy to increase its market share in these sectors. As of 31 December 2016, Akbank had a 9.0% market share in total loans in Turkey (9.2% in TL loans and 8.8% in foreign currency loans) (*source: Weekly BRSA*).

As at 31 December 2015, Akbank's loan portfolio comprised 37% corporate, 37% commercial and small and micro, 19% consumer and 7% retail credit card loans. In the year ended 31 December 2015, commercial and small and micro loans increased by 16.1%, credit card loans decreased by 2.9%, consumer loans decreased 7.5% and corporate loans increased 27.9%.

Interest income from loans was TL12.4 billion in the year ended 31 December 2015, an increase of 16.7% compared to TL10.6 billion in the year ended 31 December 2014 primarily due to higher loan yields. In the year ended 31 December 2015, Akbank continued to focus on growing its loan portfolio in the high-yielding TL-denominated loans, in particular to small and micro and general purpose loans to retail customers. TL-denominated consumer loans decreased 7.5% and TL-denominated commercial and small and micro loans increased 12.4% in the year ended 31 December 2015 with the loans to total assets ratio increasing to 60.8% in the year ended 31 December 2015 from 62.2% in the year ended 31 December 2014. As of 31 December 2015, Akbank had a 9.3% market share in total loans in Turkey (8.9% in TL loans and 10.1% in foreign currency loans) (*source: Weekly BRSA*).

As of 31 December 2014, Akbank had a 10% market share in total loans in Turkey (9.6% in TL loans and 10.8% in foreign currency loans) (*source: Weekly BRSA*).

### Interest Income from Marketable Securities

Akbank's interest income from marketable securities amounted to TL3.2 billion in the year ended 31 December 2016, an increase of 9.6% compared to TL2.9 billion in the year ended 31 December 2015. This increase was primarily due to higher inflation in Turkey and a greater share of CPI-linked securities in Akbank's securities portfolio.

Akbank's interest income from marketable securities amounted to TL2.9 billion in 2015, a decrease of 21.8% compared to TL3.7 billion in 2014. This decrease was primarily due to lower inflation in 2015 compared to 2014.

For an allocation of changes in Akbank's interest income between 31 December 2016 and 31 December 2014, see "*Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense.*"

### *Interest Expense*

Akbank's liabilities predominantly consist of short-term deposits from retail and corporate customers, as well as debt from securities issuances, funds provided under repurchase agreements and borrowings from other banks.

Total liabilities excluding shareholders' equity increased by 16.7% in 2016, from TL224.5 billion as at 31 December 2015 to TL262.0 billion as at 31 December 2016 and by 16.6% in 2015 from TL192.6 billion as at 31 December 2014 to TL224.5 billion as at 31 December 2015. Deposits increased by 16.4% in 2016, from TL149.5 billion as at 31 December 2015 to TL174.0 billion as at 31 December 2016 and increasing by 22.2% in 2015, from TL122.3 billion as at 31 December 2014 to TL149.5 billion as at 31 December 2015. (source: *Weekly BRSA statistics*).

Funds borrowed increased by 23.4% in 2016, from TL26.2 billion as at 31 December 2015 to TL32.3 billion as at 31 December 2016, mainly due to an approximately TL5.6 billion<sup>1</sup> (US\$1.6 billion) increase in securitisations as part of Akbank's ongoing DPR funding strategy. Funds borrowed increased by 23.1% in 2015, from TL21.3 billion as at 31 December 2014 to TL26.2 billion as at 31 December 2015. Debt securities increased by 1.0% in 2016, from TL12.4 billion as at 31 December 2015 to TL12.5 billion as at 31 December 2016 and by 17.7% in 2015, from TL10.5 billion in 2014 to TL12.4 billion in 2015.

Interest expense for the year ended 31 December 2016 increased by 26.7% to TL10.5 billion from TL8.3 billion in the year ended 31 December 2015. The increase in interest expense in 2016 was principally due to a 31% increase in interest expense on deposits.

Outstanding average TL-denominated deposits, together with deposits (based on management accounts), increased by 11.2% in the year ended 31 December 2016 as compared to the year ended 31 December 2015. The average volume of foreign currency denominated deposits denominated in TL increased by 22.4% in the year ended 31 December 2016 as compared to the year ended 31 December 2015, mainly due to depreciation of the Turkish Lira. However, in U.S. Dollar terms, there was an decrease in foreign currency deposits of 8.5% from U.S.\$ 27.9 billion to U.S.\$ 25.6 billion over the same period.

In terms of outstanding TL deposits, 19% were TL demand deposits and 81% were TL time deposits in the year ended 31 December 2016, compared to 17% TL demand deposits and 83% TL time deposits in the year ended 31 December 2015.

The annual average cost on TL time deposits increased to 10.3% in the year ended 31 December 2016 from 9.6% in the year ended 31 December 2015 due to the increase in average TL market interest rates.

Interest expense on funds borrowed increased to TL598.2 million in the year ended 31 December 2016 from TL436.2 million in the year ended 31 December 2015. Foreign currency funds borrowed were 23.2% higher as of 31 December 2016 compared to 31 December 2015.

Total liabilities excluding shareholders' equity increased by 16.6% in 2015, from TL192.6 billion as at 31 December 2014 to TL224.5 billion as at 31 December 2015, with deposits increasing by 22.2% in 2015, from TL122.3 billion as at 31 December 2014 to TL149.5 billion as at 31 December 2015, funds borrowed

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<sup>1</sup> Converted into Turkish Lira using USD/TL exchange rate of 3.5 (Akbank balance sheet evaluation rate as of 2016 year-end).



increasing by 23.1% in 2015, from TL21.3 billion as at 31 December 2014 to TL26.2 billion as at 31 December 2015 and debt securities increasing by 17.7% in 2015, from TL10.5 billion in 2014 to TL12.4 billion in 2015. Interest expense for the year ended 31 December 2015 increased by 10.7% to TL8.3 billion from TL7.5 billion in the year ended 31 December 2014. The increase in interest expense in 2015 was principally due to a 12.9% increase in interest expense on deposits.

Outstanding TL-denominated deposits, together with deposits (based on management accounts) provided under repo transactions, increased by 18.3% in the year ended 31 December 2016 as compared to the year ended 31 December 2015 and increased by 7.8% in the year ended 31 December 2015 as compared to the year ended 31 December 2014. The volume of foreign currency denominated deposits increased by 1.2% in the year ended 31 December 2016 denominated in Turkish Lira as compared to the year ended 31 December 2015, mainly due to depreciation of the Turkish Lira, as in U.S. Dollar terms, decreasing by 8.5% from U.S.\$28.0 billion to U.S.\$25.6 billion over the same period.

Changes in interest expense result both from changes in the average amount of interest-bearing liabilities and the interest rates payable thereon. For an analysis of changes in Akbank's consolidated interest expense and similar charges as a result of these factors between 31 December 2016 and 31 December 2014, see "*Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense.*"

### ***Provision for Loan Losses***

Akbank maintains a general policy of taking 100% provision for loan losses (irrespective of collateral) unless Akbank management believes collections from collateral would be strong. Akbank's non-performing loans (i.e. over 90 days past due) are fully provisioned in accordance with BRSA, except for a few instances, where management believes collections from collateral would be sufficient for recovering the loan amount. When management decides to allocate less than 100% provision for any non-performing loan, the nature of collateral and the group in which the collateral is classified is considered. Collateral is classified into different groups and each group of collateral has a different rate of consideration in the calculation of special provisions. In the few cases where Akbank has decided not to allocate 100% provision, collateral and special provisions have been valued and calculated within the legal framework and in accordance with BRSA regulations.

Akbank's provisions for loan losses increased by 1.3% to TL2.3 billion in the year ended 31 December 2016 from TL2.2 billion in the year ended 31 December 2015, despite 16.6% growth in its loan portfolio over the same period. These broadly flat specific provisions improved Akbank's net COR to 81bps compared to 92bps last year. Akbank's provisions for loan losses increased by 6.9% to TL2.2 billion in the year ended 31 December 2015 from TL2.1 billion in the year ended 31 December 2014, principally driven by higher specific provisions and the above-mentioned additional general provisioning for consumer loans.

NPLs as a percentage of total loans remained at low levels relative to Turkish banking sector averages as published by the BRSA. Akbank's NPL percentage slightly increased to 2.3% as at 31 December 2016, compared to 2.2% and 1.7% as at 31 December 2015 and 2014, respectively. Turkish sector averages for the same periods were 3.2%, 3.1% and 2.8%, respectively. Akbank's segment NPL breakdown as at 31 December 2016 was a non-performing loan ratio of 1.2% for business loans, 4.6% for consumer loans and 9.4% for credit cards, and the banking sector's breakdown in the respective segments was 2.7%, 3.3% and 8.0%. Akbank's segment NPL breakdown for the year ended 31 December 2015 was 0.9% for business loans, 4.0% for consumer loans and 9.1% for credit cards, and the banking sector's breakdown in the respective segments was 2.4%, 3.2% and 8.2%. Akbank's total NPL coverage ratio as at 31 December 2016 was 96.4%.

For additional information on Akbank's loan losses, see "*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Akbank's Provisioning for Impaired Loans*"; "*Selected Statistical and Other Information—Non-Performing Loans; Provisioning; Loan Losses*," and "*Selected Statistical and Other Information—Allowance for Loan Losses.*"

### Total Non-interest Income

The table below sets forth the components of Akbank's non-interest income for the years ended 31 December 2016, 2015 and 2014.

For the year ended 31 December								
	2016	% of Total non- interest income	% change y-o-y	2015	% of Total non- interest income	% change y-o-y	2014	% of Total non- interest income
(TL thousands, except percentages)								
Net fees and commissions income .....	2,569,397	58.1%	3.3%	2,486,906	78.5%	2.1%	2,436,707	81.3%
Dividend income .....	2,658	0.1%	16.8%	2,275	0.1%	64.7%	1,381	0.0%
Trading income/(loss) .....	945,980	21.4%	1330.1%	66,146	2.1%	(187.6)%	(75,476)	(2.5)%
Other operating income .....	907,467	20.4%	47.8%	613,927	19.3%	(3.2)%	633,895	21.2%
<b>Total non-interest income .....</b>	<b>4,425,502</b>	<b>100.0%</b>	<b>39.6%</b>	<b>3,169,254</b>	<b>100.0%</b>	<b>5.8%</b>	<b>2,996,507</b>	<b>100.0%</b>

Akbank earns fee and commission income mainly from credit cards, bancassurance, asset management, consumer and commercial loans, including mortgage loans and project finance loans. The principal drivers for fee and commission income are the credit card and both consumer and business banking products. Fee and commission income increased by 3.3% in 2016 compared to 2015 and increased by 2.1% in 2015 compared to 2014. This reduced growth was primarily due to a court decision which does not allow Turkish banks to charge account maintenance fees, such fees having previously constituted roughly 5% of Akbank's annual fee income. Additionally, a reduction in credit card fees, a slowdown in mortgage loans and project finance loans, which earn higher fees, and limits on fees, on consumer loans and credit cards imposed by regulations have all been contributing factors to the decreased growth in Akbank's fee income. Although such fees could be expected to grow in parallel to the growth in consumer banking, changes in regulation have imposed limits or prohibition on fees and commissions that a bank may charge for banking services and such regulations have had and may in the future have an adverse impact on fee and commission income.

Total non-interest income increased by 39.6% in 2016 to TL4.4 billion from TL3.2 billion in 2015, primarily due to strong trading gains recorded in 2016 and a one-off gain of TL181 million related to the acquisition of Visa Europe Ltd., of which Akbank is a shareholder, by Visa Inc.

Total non-interest income increased by 5.8% in 2015 to TL3.2 billion from TL3.0 billion in 2014, primarily due to low fee income generation, which was negatively affected by certain limits on fees on consumer loans and credit cards imposed by regulations.

### Total Non-interest Expense

The following tables show the components of Akbank's non-interest expense for the years ended 31 December 2016, 2015 and 2014.

For the year ended 31 December								
	2016	% of Total non- interest expense	% change y-o-y	2015	% of Total non- interest expense	% change y-o-y	2014	% of Total non- interest expense
(TL thousands, except percentages)								
Personnel expenses .....	1,800,429	40.3%	7.7%	1,672,361	38.4%	12.5%	1,486,084	39.0%
Depreciation expenses .....	218,742	4.9%	(3.3)%	226,100	5.2%	12.0%	201,876	5.3%
Operational leasing expenses .....	187,913	4.2%	5.8%	177,543	4.1%	8.1%	164,220	4.3%
Maintenance expenses .....	25,820	0.6%	9.9%	23,497	0.5%	(3.3)%	24,289	0.6%
Advertisement expenses .....	131,620	2.9%	9.2%	120,577	2.8%	11.3%	108,291	2.8%
Other expenses .....	2,100,389	47.1%	(1.7)%	2,137,727	49.0%	17.3%	1,821,675	48.0%

*For the year ended 31 December*

	2016	% of Total non- interest expense	% change y-o-y	2015	% of Total non- interest expense	% change y-o-y	2014	% of Total non- interest expense
				<i>(TL thousands, except percentages)</i>				
<b>Total non-interest expense.....</b>	<b>4,464,913</b>	<b>100.0%</b>	<b>2.5%</b>	<b>4,357,805</b>	<b>100.0%</b>	<b>14.5%</b>	<b>3,806,435</b>	<b>100.0%</b>

Total non-interest expense increased by 2.5% in 2016 to TL4.5 billion from TL4.4 billion in 2015 despite growth in both its assets and liabilities principally driven by Akbank's continued disciplined cost management approach and a decrease in fee rebates payable to customers in relation to penalties imposed by the consumer arbitration board of TL91 million (a large decrease from last year's figure of TL217 million). The penalties arose from claims filed by customers in relation to fees charged on certain banking products. New regulations allowing such claims came into effect in November 2014.

Akbank was inspected by the Department of Guidance and Investigation of the Ministry of Customs and Trade regarding the compliance of its customer agreements and applications with the Consumer Protection Law and related regulations from January 2015 to May 2016 in accordance with Consumer Protection Law - No: 6502. As a result of this inspection, an administrative fine of TL116,254,138 has been imposed on Akbank due to non-compliance with the Consumer Protection Law and related regulations with respect to the Bank's practices regarding calculation of annual costs, expertise fees, mortgage release fees, prepayment interest discounts and commissions relating to consumer loans. Benefiting from statutory discount for due payment of administrative fines, three-fourths of the administrative fine (TL87,190,603.50) was paid, after which Akbank filed a lawsuit for the cancellation of this administrative fine and the lawsuit is still pending. The Ministry of Customs and Trade has also conducted inspections and imposed administrative fines on other Turkish banks on or about the same dates on the grounds that their practices with respect to the calculation of annual costs and the fees received from the customers do not comply with the Consumer Protection Law and related regulations. The lawsuits filed by other banks are also pending. Part of such fine, amounting to TL87.2 million, is included as "non-interest expense" as a result of a 25% cash allowance according to the Misdemeanor Law - No: 5326 Provisional Article 17/6. Specifically, the Custom Ministry officials reviewed the content of the Bank's standard loan agreements executed with the consumers (e.g., housing loans, auto loans, overdraft loans, general purpose loans and credit card agreements), fees and commissions that are charged to consumers. The Bank has filed a lawsuit at the administrative courts for nullification of the fine and return of the paid amount.

Total non-interest expense increased by 14.5% in 2015 to TL4.4 billion from TL3.8 billion in 2014, principally driven by higher fee rebates of TL217 million in 2015 as compared to TL109 million in 2014.

Akbank has taken a number of initiatives to increase operational efficiency and reduce the growth of non-interest expenses. These initiatives have included centralising back office operations. Akbank also made improvements in processes, for example reducing the time and the number of personnel needed to finalise processes, while increasing Akbank's capacity to handle such processes. Moreover, as part of Akbank's digitisation strategy, Akbank was able to optimise its branch network in 2015 and 2016 and decrease the number of branches from 902 to 841 while continuing to increase its assets and the number of customers during the same period.

### ***Income Taxes***

Income tax expense was TL1.3 billion and Akbank's effective tax rate was 21.7% in the year ended 31 December 2016 as compared to TL949 million income tax expense and a 22.7% effective tax rate in the year ended 31 December 2015. The increase in the effective tax rate was primarily due to higher general provisions which are not tax-deductible expenses.

Income tax expense was TL949.7 million and Akbank's effective tax rate was 22.7% in the year ended 31 December 2015. Income tax expense was TL954.8 million and Akbank's effective tax rate was 22.0% in the year ended 31 December 2014.

In addition to the general provisions required by the BRSA, Akbank may take additional prudential provisions for adverse circumstances that may arise from any changes in the economy or market conditions. Turkish tax laws do not recognise changes related to general provisions from its taxable income. Accordingly, Akbank's effective tax rate may vary depending on the additional general provisions taken by Akbank.

## **Liquidity and Funding**

Akbank's principal sources of funding are short-term deposits from retail and corporate customers, as well as other banks. Currently, Akbank's strategy is to utilise deposits from its extensive customer base as the main funding source, while opportunistically using repurchase transactions, borrowings from international banks and securities issuances particularly for the medium-term or long-term funding needs although this approach is subject to change depending on market opportunities and changes in prevailing rates for deposits and other funding sources. Although deposits are typically short-term in nature in the Turkish market, Akbank has historically benefited from a high degree of stickiness in its deposits, although competition can be fierce from time to time. In recent years, Akbank has typically deployed excess liquidity from growth in its deposit base and shareholders' equity to fund loans, given the attractive yields compared to marketable securities in the form of Turkish government bonds, with an emphasis on higher yielding loans. In recent years, Akbank's capital adequacy ratio has decreased from 14.9% as of 31 December 2014 to 14.16% as of 31 December 2016. See "*Selected Statistical and Other Information—Capital Adequacy*" below.

Akbank's customer deposits constituted in aggregate approximately 56.6%, 54.1% and 49.7% of its total liabilities as at 31 December 2016, 2015 and 2014, respectively. As at 31 December 2016, Akbank's customer deposits amounted to TL166.7 billion, an increase of 22.1% from TL136.5 billion as at 31 December 2015, which was a 25.6% increase from TL108.7 billion as at 31 December 2014. For more information on Akbank's deposits, see "*Selected Statistical and Other Information—Deposits*."

The remaining sources of funds are shareholder's equity, funds borrowed under repurchase transactions and borrowings. Such funds represented 43.4%, 45.9% and 50.3% of Akbank's total liabilities as at 31 December 2016, 2015 and 2014, respectively. Akbank maintains an opportunistic borrowing mix, including repo transactions, syndicated loans, Eurobonds, private placements and securitisations (including covered bonds), based on market conditions and expected growth.

A principal source of liquidity has been Akbank's syndicated loan facilities, which Akbank typically maintains in terms of one year, with regular rollovers at maturity. On 18 March 2016, Akbank signed a syndicated dual currency term loan facility consisting of two tranches with maturities of 367 days, equivalent of U.S.\$1.2 billion. In addition, on 27 June 2016, Akbank secured the U.S. Dollar equivalent of 1.4 billion through its diversified payment rights securitisation (future flows securitisation) program. The financing was received in 10 separate tranches with maturities ranging from five to 12 years. On 17 August 2016, Akbank secured U.S.\$250 million in a separate tranche through its diversified payment rights securitization (future flows securitisation) program with a maturity of eight years.

Akbank future flow securitisation program was established in 1999 and is backed by trade and diversified payment rights, including workers' remittances, cash against goods, cash against documents, letters of credit, cheque remittances and other third party payment orders. As of 31 December 2016, the total issuance under this programme had reached U.S.\$9.2 billion equivalent, and the principal amount outstanding under this programme was U.S.\$3.6 billion equivalent.

On 18 August 2016, Akbank signed a syndicated dual currency term loan facility, of U.S.\$1.2 billion equivalent. The transaction consisted of four 367-day tranches and a single three-year tranche, denominated in Euros and U.S. Dollars.

On 23 December 2013, Akbank also established a GMTN Programme and as of 31 December 2016, the total outstanding amount raised under this programme was approximately U.S.\$2.5 billion. On 23 December 2014, Akbank established a €1 billion mortgage-covered bond programme and has since issued TL407.3 million of mortgage-covered bonds under that programme.

### Off-balance Sheet Arrangements

Akbank offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with their customers' export and import activities. These products do not appear on Akbank's balance sheet.

The table below sets forth Akbank's total off-balance sheet arrangements as at the dates presented.

	<i>As at 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands)</i>		
Letters of guarantee .....	27,151,792	22,551,264	22,362,816
Acceptance credits .....	3,583,229	933,230	1,130,533
Letter of credit .....	5,232,776	5,359,136	5,463,720
Other guarantees .....	4,379,339	3,513,090	3,286,394
<b>Total .....</b>	<b>40,347,136</b>	<b>32,356,720</b>	<b>32,243,463</b>

As at 31 December 2016, Akbank had forward, swap, futures, options purchases and sales contracts, amounting to TL3.7 billion on a net basis compared to TL1.8 billion as at 31 December 2015. Akbank enters into forward and swap contracts to provide hedging services for itself and its clients.

The table below sets forth Akbank's total derivative transactions as at 31 December 2016, 2015 and 2014.

	<i>As at 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands)</i>		
<b>Derivatives held for trading:</b>			
Forward foreign currency buy/sell transactions .....	25,778,446	15,110,525	9,092,090
Swap transactions .....	260,798,071	142,427,872	94,813,653
Foreign currency, interest rate and securities options .....	86,464,961	69,157,720	53,952,676
Foreign currency futures .....	-	-	-
Other .....	12,324,720	11,410,433	6,427,357
<b>Derivatives held for hedging:</b>	<b>23,392,048</b>	<b>12,804,433</b>	<b>9,638,866</b>
Interest Rate Swaps .....	17,628,611	9,583,874	7,632,232
Currency Rate Swaps .....	5,763,437	3,220,559	2,006,634
<b>Total derivative transactions<sup>(1)</sup> .....</b>	<b>408,758,246</b>	<b>250,910,983</b>	<b>173,924,642</b>

Note:

(1) Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions.

Akbank has seen increasing levels of derivatives activity in the past three years. Most of Akbank's derivatives or off-balance sheet transactions are option and swap arrangements with counterparts and customers the risks of which are managed on a portfolio basis or transferred to third parties. Akbank holds Turkish Lira and foreign currency interest swaps mainly for hedging its balance sheet and for interest rate risk management. Akbank also uses foreign currency secured swaps for liquidity management.

Guarantees represent irrevocable assurances that Akbank will make payments in the event that a customer cannot meet its performance-related or financial obligations to third parties and thus carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by Akbank on behalf of a corporate customer authorising a third party to draw drafts on Akbank up to a stipulated amount under specific terms and conditions, generally relate to trade and may be collateralised by the underlying

shipments of goods to which they relate, by cash deposits or otherwise. The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

### Property, Plant and Equipment

The table below sets forth the components of Akbank's property and equipment as at 31 December 2016, 2015 and 2014.

	<i>As at 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands)</i>		
Land and Buildings.....	723,527	710,810	715,424
Equipment and vehicles.....	1,153,832	988,790	985,242
Constructions in progress.....	2,383	1,656	2,495
Leasehold improvements.....	122,117	132,558	137,269
Total.....	2,001,859	1,833,814	1,840,430
Depreciation.....	(1,120,499)	(1,037,684)	(977,076)
<b>Net book value.....</b>	<b>881,360</b>	<b>796,130</b>	<b>863,354</b>

Akbank's property, plant and equipment comprise expenditures made on acquiring buildings, renovations to leasehold property, leasing of equipment (such as IT equipment), acquiring furniture, fixtures and office equipment and leasing intangible assets (such as IT software).

### Selected Financial Information

The following tables set forth, for the periods indicated, Akbank's selected historical consolidated financial and other information. Akbank's selected historical consolidated financial information as at 31 December 2016, 2015 and 2014 has been derived from the audited Akbank 2016 BRSA Annual Financial Statements, Akbank 2015 BRSA Annual Financial Statements and the Akbank 2014 BRSA Annual Financial Statements. The following selected consolidated financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the Akbank BRSA Financial Statements. The Akbank BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with BRSA and as described in more detail in the accounting principles included in the notes to the Akbank BRSA Financial Statements.

Prospective investors should read the following information in conjunction with "*Presentation of Financial and Other Information*" section of the Base Prospectus and the Akbank BRSA Financial Statements.

## Balance Sheet Data

	As at 31 December		
	2016	2015	2014
	(TL thousands)		
<b>ASSETS</b>			
Cash and Balances with Central Bank of Turkey .....	35,012,285	25,473,439	20,440,057
Financial Assets at Fair Value Through Profit or (Loss) (Net).....	7,684,859	2,737,670	1,465,703
Banks .....	10,386,178	8,815,163	5,212,117
Money Markets.....	37	98	700,215
Available-for-Sale Financial Assets (Net).....	34,807,057	43,384,440	37,603,832
Loans and Receivables.....	178,893,233	153,466,496	136,131,400
Factoring Receivables.....	0	—	—
Held-to-Maturity Securities (Net).....	17,976,870	10,688,440	10,800,111
Investments in Associates (Net).....	3,923	3,923	3,923
Subsidiaries (Net) .....	0	—	—
Joint Ventures (Net).....	0	—	—
Financial Lease Receivables (Net).....	5,008,600	3,975,781	3,695,306
Hedging Derivative Financial Assets .....	807,874	651,368	284,541
Property and Equipment (Net) .....	881,360	796,130	863,354
Intangible Assets (Net) .....	361,527	224,105	229,004
Investment Property (Net).....	0	—	—
Tax Asset .....	26,334	162,153	21,045
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net) .....	74,188	179,866	158,652
Other Assets.....	2,576,498	1,908,108	1,087,338
<b>Total assets .....</b>	<b>294,500,823</b>	<b>252,467,180</b>	<b>218,696,598</b>
<b>LIABILITIES</b>			
Deposits .....	173,967,804	149,470,818	122,294,076
Trading Derivative Financial Liabilities .....	4,599,847	1,767,851	1,207,213
Borrowings .....	32,304,286	26,176,875	21,269,361
Money Markets.....	27,320,042	24,249,239	28,851,360
Securities Issued (Net) .....	12,533,301	12,410,789	10,540,424
Funds .....	0	—	—
Miscellaneous Payables .....	5,379,471	4,843,417	3,498,812
Other Liabilities .....	1,436,897	1,492,861	1,528,730
Factoring Payables.....	0	—	—
Financial Lease Payables (Net).....	0	—	—
Hedging Derivative Financial Liabilities .....	98,991	158,960	105,952
Provisions .....	3,557,901	3,195,696	2,653,626
Tax Liability .....	810,016	685,783	607,000
Liabilities for Property And Equipment Held for Sale .....	0	—	—
Subordinated Loans .....	0	—	—
Shareholders' Equity .....	32,492,267	28,014,891	26,140,044
<b>Total liabilities and shareholders' equity .....</b>	<b>294,500,823</b>	<b>252,467,180</b>	<b>218,696,598</b>

## Income Statement Data

	For the year ended 31 December		
	2016	2015 (TL thousands)	2014
<b>INCOME AND EXPENSES ITEMS</b>			
Interest Income .....	18,961,635	15,997,657	14,690,586
Interest Expense.....	10,471,166	8,266,368	7,470,308
<b>Net Interest Income .....</b>	<b>8,490,469</b>	<b>7,731,289</b>	<b>7,220,278</b>
<b>Net Fees and Commissions Income.....</b>	<b>2,569,397</b>	<b>2,486,906</b>	<b>2,436,707</b>
Dividend Income .....	2,658	2,275	1,381
Trading Income/(Loss) (Net) .....	945,980	66,146	(75,476)
Other Operating Income .....	907,467	613,927	633,895
<b>Total Operating Income .....</b>	<b>12,915,971</b>	<b>10,900,543</b>	<b>10,216,785</b>
Provision for Loan Losses and Other Receivables .....	2,250,176	2,363,666	2,076,858
Other Operating Expenses .....	4,464,913	4,357,805	3,806,435
<b>Net Operating Income/(Loss).....</b>	<b>6,200,882</b>	<b>4,179,072</b>	<b>4,333,492</b>
Excess Amount Recorded as Income After Merger .....	—	—	—
Income/(Loss) from Investments in Subsidiaries .....	—	—	—
Consolidated Based on Equity Method .....	—	—	—
Income/(Loss) on Net Monetary Position .....	—	—	—
<b>Profit/Loss before Tax from Continued Operations .....</b>	<b>6,200,882</b>	<b>4,179,072</b>	<b>4,333,492</b>
Tax Provision for Continued Operations.....	1,346,703	949,706	954,846
Current Period Profit/Loss from Continued Operations .....	4,854,179	3,299,366	3,378,646
Income from Discontinued Operations .....	—	—	—
Expenses for Discontinued Operations .....	—	—	—
<b>Profit/Loss Before Tax from Discontinued Operations.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
Tax Provision for Discontinued Operations .....	—	—	—
Current Period Profit/Loss from Discontinued Operations .....	—	—	—
<b>Net Income/(Loss) .....</b>	<b>4,854,179</b>	<b>3,229,366</b>	<b>3,378,646</b>
<b>Income/(Loss) from Akbank Group .....</b>	<b>4,854,168</b>	<b>3,229,357</b>	<b>3,378,639</b>



## Key Ratios

The following table provides certain of the Group's key ratios as of and for the years ended 31 December 2016, 2015 and 2014. The basis for calculation of ratios that are non-GAAP financial measures is set out in the notes below. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles.

	As at and for the year ended 31 December		
	2016	2015	2014
		(%)	
Return on average shareholders' equity excluding minority interest .....	16.0	12.1	14.1
Net interest margin <sup>(1)</sup> .....	3.28	3.3	3.6
Capital adequacy ratio <sup>(2)</sup> .....	14.2	14.5	14.9
Cost to income <sup>(3)</sup> .....	35.0	39.8	38.0
Free capital ratio <sup>(4)</sup> .....	10.6	10.6	11.4
Non-performing loans to total cash loans.....	2.3	2.2	1.7
Cost to average total assets <sup>(5)</sup> .....	1.7	1.8	1.8
Cost of Risk <sup>(6)</sup> .....	0.8	0.9	0.9
Fees to Cost .....	57.5	57.1	64.0
Tier I Ratio .....	13.0	13.3	13.8
Loan-to-deposit ratio.....	102.8	102.7	111.3
NPL coverage ratio .....	96.4	95.6	93.5

### Notes:

- (1) In the calculation of net interest margin ratio, annualised net interest income is divided by average of interest earning assets published in the quarterly financial statements of related year and previous year end. Interest earning assets consist of Reserve Requirement, Banks, Financial Assets at Fair Value through Profit or Loss (Net), Interbank Money Market Placements, Available for sale Financial Assets (Net), Loans, Held to maturity Investments (Net) and Financial Lease Receivables.
- (2) Calculated in accordance with BRSA regulations.
- (3) Cost to income is calculated as (Net Int. Income + Net Fee Income + Trading Income(Loss) + Other Income minus NPL Collections (bank-only collections) divided by Operational Expenses - One-off items such as fee rebates, fines, gains)
- (4) In the calculation of free capital ratio, Total shareholders' equity excluding intangible assets, tangible assets, assets held for resale, investments in equity participations, is divided by total assets.
- (5) In the calculation of cost to average total assets ratio, annualised Other Operating Expenses balance is divided by average of Total assets published in the quarterly financial statements of related year and previous year end.
- (6) In the calculation of cost of risk ratio, annualised Net Provisions for Loan Loss (additions to non-performing balance minus collections and sales premium balance from NPL) during the period is divided by average of loans published in the quarterly financial statements of related year and previous year end.

## SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for Akbank as at and for the periods indicated. The selected statistical information should be read in conjunction with the Akbank BRSA Financial Statements, and the information included in "*Management's Discussion and Analysis of Results of Operations and Financial Condition*". All Turkish Lira amounts in this section, unless otherwise indicated, are stated in thousand Turkish Lira.

### Average Balances and Interest Rates

The tables below (derived from Akbank's management accounts) show Akbank's consolidated average balances and interest rates for the years ended 31 December 2016, 2015 and 2014. In such tables average balances for interest earning assets are calculated from daily balances and average balances for all other assets are calculated from period-end balances. Average balances exclude interest accruals.

For the year ended 31 December 2016

	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market: <sup>(1)</sup>				
TL .....	3,448,464	1.31	310,079	8.99
Foreign currency .....	28,132,669	10.68	42,615	0.15
Total .....	31,581,133	11.99	352,694	1.12
Marketable securities: <sup>(2)</sup>				
TL .....	22,369,835	8.50	2,208,013	9.87
Foreign currency .....	28,665,282	10.89	981,966	3.43
Total .....	51,035,117	19.39	3,189,979	6.25
Loans:				
TL .....	99,459,300	37.77	12,308,570	12.38
Foreign currency .....	61,815,993	23.48	2,744,839	4.44
Total .....	161,275,293	61.25	15,053,409	9.33
Leasing receivables:				
TL .....	1,098,690	0.42	135,057	12.29
Foreign currency .....	3,393,501	1.29	187,550	5.53
Total .....	4,492,191	1.71	322,607	7.18
Total interest-earning assets:				
TL .....	126,376,289	48.00	14,961,719	11.84
Foreign currency .....	122,007,445	46.34	3,956,970	3.24
Total .....	248,383,734	94.34	18,918,689	7.62
Investments in affiliated companies:				
TL .....	3,923	0.00	0	0.00
Foreign currency .....	0	0.00	0	0.00
Total .....	3,923	0.00	0	0.00
Total earnings assets:				
TL .....	126,380,212	48.00	14,961,719	11.84
Foreign currency .....	122,007,445	46.34	3,956,970	3.24
Total .....	248,387,657	94.34	18,918,689	7.62
Cash and due from banks:				
TL .....	1,037,124	0.39	0	0.00
Foreign currency .....	746,208	0.28	0	0.00
Total .....	1,783,332	0.67	0	0.00
Allowance for possible loan losses:				
TL .....	3,669,115	1.39	0	0.00
Foreign currency .....	0	0.00	0	0.00
Total .....	3,669,115	1.39	0	0.00
Premises and equipment (TL):				
Total .....	1,131,561	0.43	0	0.00
Other non-interest-earning assets:				
Derivative financial instruments				
TL .....	3,154,553	1.20	0	0.00
Foreign currency .....	2,734,115	1.04	0	0.00
Total .....	5,888,668	2.24	0	0.00
Deferred taxes (TL):				
Total .....	94,243	0.04	0	0.00
Other assets and prepayments				
TL .....	1,383,948	0.53	0	0.00
Foreign currency .....	985,383	0.37	0	0.00
Total .....	2,369,331	0.90	0	0.00
Other interest income:				
Total .....	0	0.00	42,944	0.00
Total average assets:				
TL .....	136,850,756	51.98	15,004,663	10.96
Foreign currency .....	126,473,151	48.03	3,956,970	3.13
Total .....	263,323,907	100.01	18,961,633	7.20

Notes:

(1) Interest income from deposits with the Central Bank of Turkey is included in total interest earning deposits in banks but is not tracked as a separate statistic by Akbank.

(2) None of Akbank's marketable securities are tax-exempt.

For the year ended 31 December 2015

	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
<b>ASSETS</b>				
<b>Interest-earning deposits in banks &amp; reserve requirements &amp; interbank money market:<sup>(1)</sup></b>				
TL .....	2,680,023	1.12	173,554	6.48
Foreign currency .....	28,174,535	11.75	74,539	0.26
<b>Total .....</b>	<b>30,854,559</b>	<b>12.87</b>	<b>248,093</b>	<b>0.80</b>
<b>Marketable securities:<sup>(2)</sup></b>				
TL .....	25,500,394	10.63	1,989,186	7.80
Foreign currency .....	26,195,113	10.92	1,062,840	4.06
<b>Total .....</b>	<b>51,695,507</b>	<b>21.55</b>	<b>3,052,026</b>	<b>5.90</b>
<b>Loans:</b>				
TL .....	87,813,665	36.61	9,956,720	11.34
Foreign currency .....	56,203,097	23.43	2,410,404	4.29
<b>Total .....</b>	<b>114,016,762</b>	<b>60.04</b>	<b>12,367,124</b>	<b>8.59</b>
<b>Leasing receivables:</b>				
TL .....	952,492	0.40	125,529	13.18
Foreign currency .....	2,883,052	1.20	168,981	5.86
<b>Total .....</b>	<b>3,835,544</b>	<b>1.60</b>	<b>294,510</b>	<b>7.68</b>
<b>Total interest-earning assets:</b>				
TL .....	116,946,574	48.76	12,244,989	10.47
Foreign currency .....	113,946,574	47.30	3,716,764	3.28
<b>Total .....</b>	<b>230,402,371</b>	<b>96.06</b>	<b>15,961,753</b>	<b>6.93</b>
<b>Investments in affiliated companies:</b>				
TL .....	3,923	0.00	-	0.00
Foreign currency .....	-	0.00	-	0.00
<b>Total .....</b>	<b>3,923</b>	<b>0.00</b>	<b>-</b>	<b>0.00</b>
<b>Total earnings assets:</b>				
TL .....	116,950,497	48.76	12,244,989	10.47
Foreign currency .....	113,455,797	47.30	3,716,764	3.28
<b>Total .....</b>	<b>230,406,294</b>	<b>96.06</b>	<b>15,961,753</b>	<b>6.93</b>
<b>Cash and due from banks:</b>				
TL .....	937,765	0.39	-	0.00
Foreign currency .....	623,055	0.26	-	0.00
<b>Total .....</b>	<b>1,560,820</b>	<b>0.65</b>	<b>-</b>	<b>0.00</b>
<b>Allowance for possible loan losses:</b>				
TL .....	2,702,419	1.13	-	0.00
Foreign currency .....	-	0.00	-	0.00
<b>Total .....</b>	<b>2,702,419</b>	<b>1.13</b>	<b>-</b>	<b>0.00</b>
<b>Premises and equipment (TL):</b>	<b>1,135,622</b>	<b>0.47</b>	<b>0</b>	<b>0.00</b>
<b>Other non-interest-earning assets:</b>				
<b>Derivative financial instruments</b>				
TL .....	1,128,347	0.47	0	0.00
Foreign currency .....	1,393,555	0.58	-	0.00
<b>Total .....</b>	<b>2,521,902</b>	<b>1.05</b>	<b>-</b>	<b>0.00</b>
<b>Deferred taxes (TL)</b>	<b>91,599</b>	<b>0.04</b>	<b>-</b>	<b>0.00</b>
<b>Other assets and prepayments</b>				
TL .....	1,116,897	0.47	0	0.00
Foreign currency .....	316,325	0.13	-	0.00
<b>Total .....</b>	<b>1,433,222</b>	<b>0.60</b>	<b>-</b>	<b>0.00</b>
<b>Other interest income:</b>	<b>0</b>	<b>0.00</b>	<b>35,904</b>	<b>0.00</b>
<b>Total average assets:</b>				
TL .....	124,063,146	51.73	12,280,893	9.90
Foreign currency .....	115,788,732	48.27	3,716,764	3.21
<b>Total .....</b>	<b>239,851,878</b>	<b>100.00</b>	<b>15,997,657</b>	<b>6.67</b>

Notes:

(1) Interest income from deposits with the Central Bank of Turkey is included in total interest earning deposits in banks but is not tracked as a separate statistic by Akbank.

(2) None of Akbank's marketable securities are tax-exempt.

For the year ended 31 December 2014

	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
ASSETS				
Interest-earning deposits in banks & reserve requirements & interbank money market: <sup>(1)</sup>				
TL .....	1,454,156	0.71	65,798	4.52
Foreign currency .....	23,539,984	11.41	34,625	0.15
Total .....	24,994,140	12.12	100,423	0.40
Marketable securities: <sup>(2)</sup>				
TL .....	28,635,590	13.89	2,897,955	10.43
Foreign currency .....	18,460,537	8.95	730,656	3.96
Total .....	47,096,127	22.84	3,718,611	7.90
Loans:				
TL .....	78,496,542	38.06	8,586,350	10.94
Foreign currency .....	44,744,518	21.70	2,009,598	4.49
Total .....	123,241,060	59.76	10,595,948	8.60
Leasing receivables:				
TL .....	739,884	0.36	84,991	11.49
Foreign currency .....	2,716,528	1.32	150,847	5.55
Total .....	3,456,412	1.68	235,838	6.82
Total interest-earning assets:				
TL .....	109,326,172	53.02	11,725,094	10.72
Foreign currency .....	89,461,567	43.38	2,925,726	3.27
Total .....	198,787,739	96.40	14,650,820	7.37
Investments in affiliated companies:				
TL .....	3,923	0.00	-	-
Foreign currency .....	-	0.00	-	-
Total .....	3,923	0.00	-	-
Total earnings assets:				
TL .....	109,330,095	53.02	11,725,094	10.72
Foreign currency .....	89,461,567	43.38	2,925,726	3.27
Total .....	198,791,662	96.40	14,650,820	7.37
Cash and due from banks:				
TL .....	880,393	0.43	-	-
Foreign currency .....	652,740	0.32	-	-
Total .....	1,533,133	0.75	-	-
Allowance for possible loan losses:				
TL .....	1,881,331	0.91	-	-
Foreign currency .....	-	-	-	-
Total .....	1,881,331	0.91	-	-
Premises and equipment (TL): .....	1,149,572	0.56	-	-
Other non-interest-earning assets:				
Derivative financial instruments				
TL .....	1,156,256	0.56	-	-
Foreign currency .....	889,908	0.43	-	-
Total .....	2,406,164	0.99	-	-
Deferred taxes (TL): .....	48,025	0.02	-	-
Other assets and prepayments				
TL .....	734,280	0.37	-	-
Foreign currency .....	39,427	0.02	-	-
Total .....	773,527	0.39	-	-
Other interest income: .....	-		39,766	-
Total average assets:				
TL .....	115,179,952	55.87	11,764,860	10.21
Foreign currency .....	91,043,462	44.15	2,925,726	3.21
Total .....	206,223,414	100.00	14,690,586	7.12

Notes:

(1) Interest income from deposits with the Central Bank of Turkey is included in total interest earning deposits in banks but is not tracked as a separate statistic by Akbank.

(2) None of Akbank's marketable securities are tax-exempt.

## Liabilities and Stockholders' Equity

The tables below (derived from Akbank's management accounts) show Akbank's consolidated liabilities and stockholders' equity for the years ended 31 December 2016, 2015 and 2014. In such tables average balances for interest bearing liabilities are calculated from daily balances and average balances for all other liabilities are calculated from period-end balances.

<i>For the year ended 31 December 2016</i>				
	<i>Average Balance</i>	<i>Share of Total %</i>	<i>Interest</i>	<i>Average Rate %</i>
	<i>(TL thousands, except percentages)</i>			
<b>TL saving deposits:</b>				
Time.....	39,445,854	14.67	4,043,561	10.25
Demand.....	6,431,039	2.39	0	0.00
<b>Total .....</b>	<b>45,876,893</b>	<b>17.06</b>	<b>4,043,561</b>	<b>8.81</b>
<b>TL other deposits:</b>				
Time.....	22,148,749	8.24	2,533,819	11.44
Demand.....	6,505,025	2.42	1	0.00
<b>Total .....</b>	<b>28,653,774</b>	<b>10.66</b>	<b>2,533,820</b>	<b>8.84</b>
<b>TL deposits:</b>				
Time.....	61,594,603	22.91	6,577,380	10.68
Demand.....	12,936,064	4.81	1	0.00
<b>Total .....</b>	<b>74,530,667</b>	<b>27.72</b>	<b>6,577,381</b>	<b>8.83</b>
<b>Foreign currency saving deposits:</b>				
Time.....	30,945,606	11.51	579,153	1.87
Demand.....	5,639,517	2.10	3,104	0.06
<b>Total .....</b>	<b>36,585,123</b>	<b>13.61</b>	<b>582,257</b>	<b>1.59</b>
<b>Other foreign currency deposits:</b>				
Time.....	31,456,707	11.70	603,536	1.92
Demand.....	4,682,782	1.74	0	0.00
<b>Total .....</b>	<b>36,139,489</b>	<b>13.44</b>	<b>603,536</b>	<b>1.67</b>
<b>Foreign currency deposits:</b>				
Time.....	62,402,313	23.21	1,182,689	1.90
Demand.....	10,322,299	3.84	3,104	0.03
<b>Total .....</b>	<b>72,724,612</b>	<b>27.05</b>	<b>1,185,793</b>	<b>1.63</b>
<b>Bank deposits:</b>				
TL .....	1,679,329	0.62	176,712	10.52
Foreign currency .....	9,246,060	3.44	107,586	1.16
<b>Total .....</b>	<b>10,925,389</b>	<b>4.06</b>	<b>284,298</b>	<b>2.60</b>
<b>Funds provided under repurchase agreements:</b>				
TL .....	7,401,029	2.75	593,421	8.02
Foreign currency .....	17,332,558	6.45	322,164	1.86
<b>Total .....</b>	<b>24,733,587</b>	<b>9.2</b>	<b>915,585</b>	<b>3.70</b>
<b>Borrowings:</b>				
TL .....	520,834	0.19	124,260	23.86
Foreign currency .....	29,265,183	10.88	558,731	1.91
<b>Total .....</b>	<b>29,786,017</b>	<b>11.07</b>	<b>682,991</b>	<b>2.29</b>
<b>Securities Issued:</b>				
TL .....	3,263,316	1.21	369,234	11.31
Foreign currency .....	8,795,268	3.27	421,948	4.80
<b>Total .....</b>	<b>12,058,584</b>	<b>4.48</b>	<b>791,182</b>	<b>6.56</b>
<b>Total interest-bearing liabilities:</b>				
TL .....	87,395,175	32.49	7,841,008	8.97
Foreign currency .....	137,363,681	51.09	2,596,222	1.89
<b>Total .....</b>	<b>224,758,856</b>	<b>83.58</b>	<b>10,437,230</b>	<b>4.64</b>
<b>Other liabilities:</b>				
<b>Derivative financial instruments:</b>				
TL .....	2,064,137	0.77	0	0.00
Foreign currency .....	1,248,687	0.46	0	0.00
<b>Total .....</b>	<b>3,312,824</b>	<b>1.23</b>	<b>0</b>	<b>0.00</b>
<b>Income taxes payable (TL) .....</b>	<b>142,585</b>	<b>0.05</b>	<b>0</b>	<b>0.00</b>
<b>Deferred tax liabilities (TL).....</b>	<b>605,314</b>	<b>0.23</b>	<b>0</b>	<b>0.00</b>

For the year ended 31 December 2016				
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
<b>Other liabilities:</b>				
TL .....	7,361,813	2.74	0	0.00
Foreign currency .....	2,268,176	0.84	0	0.00
<b>Total .....</b>	<b>9,629,989</b>	<b>3.58</b>	<b>0</b>	<b>0.00</b>
<b>Reserve for emp. termination benefits (TL) .....</b>	<b>210,494</b>	<b>0.08</b>	<b>0</b>	<b>0.00</b>
<b>Shareholders' equity .....</b>	<b>30,253,454</b>	<b>11.25</b>	<b>0</b>	<b>0.00</b>
<b>Profit .....</b>	<b>4,854,179</b>	<b>1.81</b>	<b>0</b>	<b>0.00</b>
<b>Other interest expense: .....</b>	<b>0</b>	<b>0.00</b>	<b>33,938</b>	<b>0.00</b>
<b>Total average liabilities and shareholders:</b>				
TL .....	128,032,972	47.61	7,874,946	6.15
Foreign currency .....	140,880,544	52.39	2,596,222	1.84
<b>Total .....</b>	<b>268,913,516</b>	<b>100.00</b>	<b>10,471,168</b>	<b>3.89</b>
For the year ended 31 December 2015				
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
<b>TL saving deposits:</b>				
Time .....	36,218,402	15.19	3,464,738	9.57
Demand .....	5,490,221	2.30	-	0.00
<b>Total .....</b>	<b>41,708,623</b>	<b>17.49</b>	<b>3,464,738</b>	<b>8.31</b>
<b>TL other deposits:</b>				
Time .....	14,293,099	5.99	1,512,648	10.58
Demand .....	5,452,980	2.29	1	0.00
<b>Total .....</b>	<b>19,746,079</b>	<b>8.28</b>	<b>1,512,649</b>	<b>7.66</b>
<b>TL deposits:</b>				
Time .....	50,511,501	21.18	4,977,386	9.85
Demand .....	10,943,201	4.59	1	0.00
<b>Total .....</b>	<b>61,454,702</b>	<b>25.77</b>	<b>4,977,387</b>	<b>8.10</b>
<b>Foreign currency saving deposits:</b>				
Time .....	26,133,102	10.96	437,342	1.67
Demand .....	5,037,980	2.11	5,852	0.12
<b>Total .....</b>	<b>31,171,082</b>	<b>13.07</b>	<b>443,194</b>	<b>1.42</b>
<b>Other foreign currency deposits:</b>				
Time .....	26,028,842	10.91	487,054	1.87
Demand .....	3,667,237	1.54	0	0.00
<b>Total .....</b>	<b>29,696,079</b>	<b>12.45</b>	<b>487,054</b>	<b>1.64</b>
<b>Foreign currency deposits:</b>				
Time .....	52,161,944	21.87	924,396	1.77
Demand .....	8,705,217	3.65	5,852	0.07
<b>Total .....</b>	<b>60,867,161</b>	<b>25.52</b>	<b>930,248</b>	<b>1.53</b>
<b>Bank deposits:</b>				
TL .....	1,136,988	0.48	114,445	10.07
Foreign currency .....	12,525,292	5.25	139,400	1.11
<b>Total .....</b>	<b>13,662,280</b>	<b>5.73</b>	<b>253,845</b>	<b>1.86</b>
<b>Funds provided under repurchase agreements:</b>				
TL .....	6,747,781	2.83	551,196	8.17
Foreign currency .....	18,908,640	7.93	334,107	1.77
<b>Total .....</b>	<b>25,656,421</b>	<b>10.76</b>	<b>885,303</b>	<b>3.45</b>
<b>Borrowings:</b>				
TL .....	630,534	0.26	48,333	7.67
Foreign currency .....	25,741,015	10.79	402,087	1.56
<b>Total .....</b>	<b>26,371,549</b>	<b>11.05</b>	<b>450,420</b>	<b>1.71</b>
<b>Securities Issued:</b>				
TL .....	3,206,921	1.34	304,398	9.49
Foreign currency .....	9,529,160	4.00	439,769	4.61
<b>Total .....</b>	<b>12,736,081</b>	<b>5.34</b>	<b>744,167</b>	<b>5.84</b>
<b>Total interest-bearing liabilities:</b>				
TL .....	73,176,926	30.68	5,995,759	8.19

For the year ended 31 December 2015				
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
Foreign currency .....	127,571,268	53.49	2,245,611	1.76
<b>Total .....</b>	<b>200,748,194</b>	<b>84.17</b>	<b>8,241,370</b>	<b>4.11</b>
<b>Other liabilities:</b>				
<b>Derivative financial instruments:</b>				
TL .....	350,848	0.15	-	0.00
Foreign currency .....	1,269,419	0.53	-	0.00
<b>Total .....</b>	<b>1,619,987</b>	<b>0.68</b>	<b>-</b>	<b>0.00</b>
<b>Income taxes payable (TL) .....</b>	<b>55,517</b>	<b>0.02</b>	<b>-</b>	<b>0.00</b>
<b>Deferred tax liabilities (TL) .....</b>	<b>590,874</b>	<b>0.25</b>	<b>-</b>	<b>0.00</b>
<b>Other liabilities:</b>				
TL .....	6,760,081	2.83	-	0.00
Foreign currency .....	1,466,203	0.61	-	0.00
<b>Total .....</b>	<b>8,226,284</b>	<b>3.44</b>	<b>-</b>	<b>0.00</b>
<b>Reserve for emp. termination benefits (TL) .....</b>	<b>160,272</b>	<b>0.07</b>	<b>-</b>	<b>0.00</b>
<b>Shareholders' equity .....</b>	<b>27,077,358</b>	<b>11.35</b>	<b>-</b>	<b>0.00</b>
<b>Profit .....</b>	<b>3,229,366</b>	<b>1.35</b>	<b>-</b>	<b>0.00</b>
<b>Other interest income: .....</b>	<b>-</b>	<b>0.00</b>	<b>24,998</b>	<b>0.00</b>
<b>Total average liabilities and shareholders:</b>				
TL .....	108,171,876	45.35	6,020,757	5.57
Foreign currency .....	130,306,610	54.63	2,245,611	1.72
<b>Total .....</b>	<b>238,478,486</b>	<b>100.00</b>	<b>8,266,368</b>	<b>3.47</b>

	For the year ended 31 December 2014			
	Average Balance	Share of Total %	Interest	Average Rate %
	(TL thousands, except percentages)			
<b>TL saving deposits:</b>				
Time.....	32,293,215	15.79	2,892,226	8.96
Demand.....	4,826,869	2.36	-	-
<b>Total .....</b>	<b>37,120,084</b>	<b>18.15</b>	<b>2,892,226</b>	<b>7.79</b>
<b>TL other deposits:</b>				
Time.....	13,994,581	6.84	1,398,252	9.99
Demand.....	4,111,608	2.01	7	-
<b>Total .....</b>	<b>18,106,189</b>	<b>8.85</b>	<b>1,398,259</b>	<b>7.72</b>
<b>TL deposits:</b>				
Time.....	46,287,796	22.63	4,290,478	9.27
Demand.....	8,938,477	4.37	7	-
<b>Total .....</b>	<b>55,226,273</b>	<b>27.00</b>	<b>4,290,485</b>	<b>7.77</b>
<b>Foreign currency saving deposits:</b>				
Time.....	19,590,884	9.58	380,132	1.94
Demand.....	4,167,037	2.04	-	-
<b>Total .....</b>	<b>23,757,921</b>	<b>11.62</b>	<b>380,132</b>	<b>1.60</b>
<b>Other foreign currency deposits:</b>				
Time.....	20,043,726	9.80	436,373	2.18
Demand.....	3,071,726	1.50	10,555	0.34
<b>Total .....</b>	<b>23,115,452</b>	<b>11.30</b>	<b>446,928</b>	<b>1.93</b>
<b>Foreign currency deposits:</b>				
Time.....	39,634,610	19.38	816,505	2.06
Demand.....	7,238,763	3.54	10,555	0.15
<b>Total .....</b>	<b>46,873,373</b>	<b>22.92</b>	<b>827,060</b>	<b>1.76</b>
<b>Bank deposits:</b>				
TL .....	2,187,312	1.07	209,583	9.58
Foreign currency .....	8,910,902	4.36	130,411	1.46
<b>Total .....</b>	<b>11,098,214</b>	<b>5.43</b>	<b>339,994</b>	<b>3.06</b>
<b>Funds provided under repurchase agreements:</b>				
TL .....	7,187,809	3.51	664,062	9.24
Foreign currency .....	19,686,803	9.63	259,706	1.32
<b>Total .....</b>	<b>26,874,612</b>	<b>13.14</b>	<b>923,768</b>	<b>3.44</b>
<b>Borrowings:</b>				



For the year ended 31 December 2014

	Average Balance	Share of Total %	Interest (TL thousands, except percentages)	Average Rate %
TL .....	925,347	0.45	82,737	8.94
Foreign currency .....	20,106,654	9.83	370,729	1.84
<b>Total .....</b>	<b>21,032,001</b>	<b>10.28</b>	<b>453,466</b>	<b>2.16</b>
<b>Securities Issued:</b>				
TL .....	3,307,055	1.62	324,620	9.82
Foreign currency .....	6,892,059	3.37	287,922	4.18
<b>Total .....</b>	<b>10,199</b>	<b>4.99</b>	<b>612,542</b>	<b>6.01</b>
<b>Total interest-bearing liabilities:</b>				
TL .....	68,833,796	33.65	5,571,487	8.09
Foreign currency .....	102,469,791	50.11	1,875,828	1.83
<b>Total .....</b>	<b>171,303,587</b>	<b>83.76</b>	<b>7,447,315</b>	<b>4.35</b>
<b>Other liabilities:</b>				
<b>Derivative financial instruments:</b>				
TL .....	231,187	0.11	-	-
Foreign currency .....	1,046,678	0.51	-	-
<b>Total .....</b>	<b>1,277,862</b>	<b>0.62</b>	<b>-</b>	<b>-</b>
<b>Income taxes payable (TL) .....</b>	<b>48,408</b>	<b>0.02</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities (TL) .....</b>	<b>406,870</b>	<b>0.20</b>	<b>-</b>	<b>-</b>
<b>Other liabilities:</b>				
TL .....	5,983,605	2.93	-	-
Foreign currency .....	1,212,686	0.59	-	-
<b>Total .....</b>	<b>7,196,291</b>	<b>3.52</b>	<b>-</b>	<b>-</b>
<b>Reserve for emp. termination benefits (TL) .....</b>	<b>119,398</b>	<b>0.06</b>	<b>-</b>	<b>-</b>
<b>Shareholders' equity .....</b>	<b>24,137,419</b>	<b>11.80</b>	<b>-</b>	<b>-</b>
<b>Profit .....</b>	<b>3,378,646</b>	<b>1.65</b>	<b>-</b>	<b>-</b>
<b>Other interest income: .....</b>	<b>-</b>		<b>22,993</b>	<b>-</b>
<b>Total average liabilities and shareholders:</b>				
TL .....	99,760,680	48.77	5,594,480	5.61
Foreign currency .....	104,729,155	51.21	1,875,828	1.79
<b>Total .....</b>	<b>204,489,835</b>	<b>100.00</b>	<b>7,470,308</b>	<b>3.65</b>

### ***Interest Earning Assets: Yield, Margin and Spread***

The following table (derived from Akbank's management accounts) shows Akbank's net interest income, yield, margin and spread for the years ended 31 December 2016, 2015 and 2014.

	<i>For the year ended 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands, except percentages)</i>		
<b>Net Interest Income:</b>			
TL .....	7,120,713	6,249,230	6,153,607
Foreign currency .....	1,360,750	1,471,153	1,049,898
<b>Total</b> .....	<b>8,481,462</b>	<b>7,720,383</b>	<b>7,203,505</b>
<b>Yield on interest-earning assets<sup>(1)</sup>:</b>			
TL .....	11.84%	10.47%	10.7%
Foreign currency .....	3.24%	3.28%	3.3%
<b>Total</b> .....	<b>7.62%</b>	<b>6.93%</b>	<b>7.4%</b>
<b>Yield on interest-bearing liabilities<sup>(1)</sup>:</b>			
TL .....	8.97%	8.19%	8.1%
Foreign currency .....	1.89%	1.76%	1.8%
<b>Total</b> .....	<b>4.64%</b>	<b>4.11%</b>	<b>4.3%</b>
<b>Margin<sup>(2)</sup>:</b>			
TL .....	5.63%	5.34%	5.6%
Foreign currency .....	1.12%	1.30%	1.2%
<b>Total</b> .....	<b>3.41%</b>	<b>3.35%</b>	<b>3.6%</b>
<b>Spread<sup>(3)</sup>:</b>			
TL .....	2.87%	2.28%	2.6%
Foreign currency .....	1.35%	1.52%	1.4%
<b>Total</b> .....	<b>2.97%</b>	<b>2.82%</b>	<b>3.0%</b>

Notes:

(1) Yield represents interest income/expense as a percentage of average interest earning assets/interest bearing liabilities.

(2) Margin represents net interest income as a percentage of average interest earning assets.

(3) Spread represents the difference between the average rate of interest earned on interest earning assets and the average rate of interest accrued on interest bearing liabilities.

## Analysis of Changes in Net Interest Income and Interest Expense

The following table (derived from Akbank's management accounts) provides a comparative analysis of changes in net interest income and interest expense by reference to changes in average volume and rates for the four years ended 31 December 2016, 2015, 2014 and 2013. Net changes in net interest income are attributed to either changes in average balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is received or paid. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the daily balances for the respective year. Akbank does not separately track short-term and long-term interest expense for purposes of calculating net interest income and interest expense.

	31 December 2016/2015 Increase/(decrease) due to changes in				31 December 2015/2014 Increase/(decrease) due to changes in				31 December 2014/2013 Increase/(decrease) due to changes in			
	Volume	Rate	Net Change	Change %	Volume	Rate	Net Change	Change %	Volume	Rate	Net Change	Change %
(TL thousands, except percentages)												
<b>Interest Income</b>												
<b>Interest-earning deposits in banks &amp; reserve requirements &amp; interbank money market:</b>												
TL.....	49,763	86,762	136,525	79.00	55,468	52,288	107,756	163.77	(8,527)	37,251	28,724	77.5
Foreign currency.....	(111)	(31,813)	(31,924)	(43.00)	6,817	33,097	39,914	115.27	8,117	5,349	13,466	63.6
<b>Total .....</b>	<b>5,842</b>	<b>98,759</b>	<b>104,601</b>	<b>42.00</b>	<b>23,546</b>	<b>124,124</b>	<b>147,670</b>	<b>147.05</b>	<b>18,769</b>	<b>23,421</b>	<b>42,190</b>	<b>72.5</b>
<b>Marketable securities:</b>												
TL.....	(244,203)	463,030	218,827	11.00	(327,139)	(671,630)	(998,769)	(33.43)	(105,401)	299,806	194,405	7.0
Foreign currency.....	100,225	(181,099)	(80,874)	(8.00)	306,129	26,055	332,184	45.46	213,843	(1,437)	212,406	41.0
<b>Total .....</b>	<b>(38,988)</b>	<b>176,942</b>	<b>137,954</b>	<b>5.00</b>	<b>363,157</b>	<b>(1,029,742)</b>	<b>(666,585)</b>	<b>(17.93)</b>	<b>330,162</b>	<b>76,649</b>	<b>406,811</b>	<b>12.3</b>
<b>Loans:</b>												
TL.....	1,320,436	1,031,414	2,351,850	24.00	1,019,154	351,216	1,370,370	15.96	1,320,445	662,540	1,982,985	30.0
Foreign currency.....	240,722	93,712	334,434	14.00	514,636	(113,830)	400,806	19.94	462,819	(167,289)	295,530	17.2
<b>Total .....</b>	<b>1,482,039</b>	<b>1,204,246</b>	<b>2,686,285</b>	<b>22.00</b>	<b>1,786,241</b>	<b>(15,065)</b>	<b>1,771,176</b>	<b>16.72</b>	<b>1,867,142</b>	<b>411,373</b>	<b>2,278,515</b>	<b>27.4</b>
<b>Leasing receivables:</b>												
TL.....	19,267	(9,739)	9,528	8.00	24,423	16,115	40,538	47.70	33,211	(4,482)	(28,729)	51.1
Foreign currency.....	29,918	(11,349)	18,569	11.00	9,247	8,887	18,134	12.02	34,430	(13,507)	20,923	16.1
<b>Total .....</b>	<b>50,420</b>	<b>(22,323)</b>	<b>28,097</b>	<b>10.00</b>	<b>25,869</b>	<b>32,803</b>	<b>58,672</b>	<b>24.88</b>	<b>60,124</b>	<b>(10,472)</b>	<b>49,652</b>	<b>26.7</b>
<b>Total interest-earning assets:</b>												
TL.....	987,346	1,729,385	2,716,731	22.00	817,279	(297,384)	519,895	4.43	1,148,076	1,086,767	2,234,843	23.6
Foreign currency.....	280,148	(39,942)	240,206	6.00	784,701	6,338	791,039	27.04	777,299	(234,974)	542,325	22.8
<b>Total .....</b>	<b>1,245,708</b>	<b>1,711,229</b>	<b>2,956,937</b>	<b>19.00</b>	<b>2,330,024</b>	<b>(1,019,091)</b>	<b>1,310,933</b>	<b>8.95</b>	<b>2,432,421</b>	<b>344,747</b>	<b>2,777,168</b>	<b>23.4</b>
<b>Interest Expense</b>												
<b>TL deposits:</b>												
Time.....	101,593	1,498,401	1,599,994	32.00	36,419	650,489	686,908	16.01	423,895	897,988	1,321,883	44.5
Demand.....	0	0	0	0.00	0	(6)	(6)	(85.71)	50	(517)	(437)	(98.4)
<b>Total .....</b>	<b>98,517</b>	<b>1,501,477</b>	<b>1,599,994</b>	<b>32.00</b>	<b>45,012</b>	<b>641,890</b>	<b>686,902</b>	<b>16.01</b>	<b>441,432</b>	<b>880,014</b>	<b>1,321,446</b>	<b>44.5</b>
<b>Foreign currency deposits:</b>												
Time.....	181,476	76,815	258,291	28.00	258,073	(150,182)	107,891	13.21	208,704	(129,235)	79,469	10.8
Demand.....	1,087	(3,835)	(2,748)	(47.00)	2,138	(6,841)	(4,703)	(44.55)	2,224	(4,146)	(1,922)	(15.4)
<b>Total .....</b>	<b>181,221</b>	<b>74,322</b>	<b>255,543</b>	<b>27.00</b>	<b>246,914</b>	<b>(143,725)</b>	<b>103,189</b>	<b>12.48</b>	<b>199,193</b>	<b>(121,646)</b>	<b>(77,547)</b>	<b>10.4</b>
<b>Bank deposits:</b>												
TL.....	54,590	7,677	62,267	54.00	(100,640)	5,502	(95,138)	(45.39)	(69,741)	67,481	(2,260)	(1.1)
Foreign currency.....	(36,496)	4,682	(31,814)	(23.00)	52,897	(43,908)	8,989	6.89	12,623	(14,390)	(1,767)	(1.3)
<b>Total .....</b>	<b>(50,851)</b>	<b>81,304</b>	<b>30,453</b>	<b>12.00</b>	<b>78,550</b>	<b>(164,699)</b>	<b>(86,149)</b>	<b>(25.34)</b>	<b>(8,958)</b>	<b>4,931</b>	<b>(4,027)</b>	<b>(1.2)</b>
<b>Funds provided under repurchase agreements:</b>												
TL.....	53,361	(11,136)	42,225	8.00	(40,653)	(72,213)	(112,866)	(17.00)	58,119	240,496	298,615	81.7
Foreign currency.....	(27,849)	15,906	(11,943)	(4.00)	(10,265)	84,666	74,401	28.65	61,897	(6,989)	54,908	26.8
<b>Total .....</b>	<b>(31,843)</b>	<b>62,126</b>	<b>30,283</b>	<b>3.00</b>	<b>(41,873)</b>	<b>3,407</b>	<b>(38,466)</b>	<b>(4.16)</b>	<b>148,593</b>	<b>204,929</b>	<b>353,522</b>	<b>62.0</b>
<b>Borrowings:</b>												
TL.....	(8,409)	84,336	75,927	157.00	(26,360)	(8,044)	(34,404)	(41.58)	739	17,814	18,553	28.9
Foreign currency.....	55,049	101,594	156,643	39.00	103,887	(72,529)	31,358	8.46	85,560	(39,256)	46,304	143
<b>Total .....</b>	<b>58,318</b>	<b>174,252</b>	<b>232,570</b>	<b>52.00</b>	<b>115,125</b>	<b>(118,171)</b>	<b>(3,046)</b>	<b>(0.67)</b>	<b>97,159</b>	<b>(32,302)</b>	<b>64,857</b>	<b>16.7</b>
<b>Total interest-bearing liabilities:</b>												
TL.....	1,164,974	680,275	1,845,249	31.00	351,538	72,734	424,272	7.62	457,209	1,262,829	1,720,038	44.7
Foreign currency.....	172,374	178,235	350,609	16.00	459,512	(89,728)	369,784	19.71	440,915	(204,983)	235,932	14.4
<b>Total .....</b>	<b>985,716</b>	<b>1,210,142</b>	<b>2,195,858</b>	<b>27.00</b>	<b>1,280,086</b>	<b>(486,030)</b>	<b>794,056</b>	<b>10.66</b>	<b>1,119,876</b>	<b>836,094</b>	<b>1,955,970</b>	<b>35.6</b>

## Return on Assets and Equity

The following table (derived from the Akbank BRSA Financial Statements) presents certain selected financial ratios of Akbank for years ended 31 December 2016, 2015 and 2014.

	<i>For the year ended 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands, except percentages)</i>		
Net profit (attributable to Equity Holders of Akbank) .....	4,854,179	3,229,366	3,378,646
Average total assets .....	269,808,334	239,619,556	207,631,825
Average shareholders' equity (attributable to equity holders of Akbank) .....	30,300,462	26,638,503	24,028,957
Net income as a percentage of:			
Average total assets .....	1.8%	1.3%	1.6%
Average shareholders' equity .....	16.0%	12.1%	14.1%
Average shareholders' equity as a percentage of average total assets .....	11.2%	11.1%	11.6%
Dividend pay-out ratio .....	N/A	20.0%	18.0%

## Securities

### Investment Securities

Akbank's portfolio of marketable securities consists primarily of Turkish government securities (including bonds and treasury bills) denominated in Turkish Lira, U.S. Dollars and Euro.

#### Available-for-sale securities

The following table (derived from the Akbank BRSA Financial Statements) shows a breakdown of Akbank's available-for-sale securities as at the dates indicated.

The percentage of fixed compared to floating available-for-sale securities (excluding equity securities) held by Akbank was 58.8% fixed and 41.2% floating for the year ended 31 December 2016, 66.5% fixed and 33.5% floating for the year ended 31 December 2015, 54.2% fixed and 45.8% floating for the year ended 31 December 2014.

	<i>As at 31 December</i>					
	<i>2016</i>		<i>2015</i>		<i>2014</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(TL percentages, except percentages)</i>					
<b>Debt Securities<sup>(1)</sup></b>						
Government bonds .....	17,912,731	51.5%	19,376,723	44.7%	21,283,380	56.6%
Treasury bills .....	-	0.0%	-	0.0%	-	0.0%
Eurobonds .....	11,328,132	32.5%	15,929,478	36.7%	11,154,528	29.7%
Mutual funds .....	212,244	0.6%	278,802	0.6%	289,909	0.8%
Other bonds .....	5,286,609	15.2%	7,678,817	17.7%	4,863,528	12.9%
<b>Equity securities</b>	-	-	-	-	-	-
Listed .....	-	0.0%	-	0.0%	-	0.0%
Unlisted .....	67,341	0.2%	128,794	0.3%	12,487	0.0%
<b>Total .....</b>	<b>34,807,057</b>	<b>100.0%</b>	<b>43,384,440</b>	<b>100.0%</b>	<b>37,603,832</b>	<b>100.0%</b>

Note:

(1) All of Akbank's available-for-sale government bonds, treasury bills and most of its Eurobonds are Turkish government securities, apart from a relatively small amount of Turkish and Dutch corporate bonds and Turkish corporate bonds.

The following tables (derived from the Akbank BRSA Financial Statements) set forth Akbank's available-for-sale securities and their effective average interest rates on a currency basis, excluding equity securities and mutual funds, by maturity as at 31 December 2016 and 31 December 2015.

<i>As at 31 December 2016</i>					
	<i>Up to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>(TL thousands)</i>				
<b>Debt Securities</b>					
Government bonds.....	10,042	30,341	9,153,098	8,719,250	<b>17,912,731</b>
Treasury bills .....	-	-	-	-	-
Eurobonds.....	66,918	310,091	7,304,107	3,647,016	<b>11,328,132</b>
Other bonds .....	230,950	2,190,287	2,580,647	284,725	5,286,609
<b>Total.....</b>	<b>307,910</b>	<b>2,530,719</b>	<b>19,037,852</b>	<b>12,650,990</b>	<b>34,527,471</b>

<i>As at 31 December 2015</i>					
	<i>Up to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>(TL thousands)</i>				
<b>Debt Securities</b>					
Government bonds.....	150,234	691,549	8,732,974	9,801,966	<b>19,376,723</b>
Treasury bills .....	-	-	-	-	-
Eurobonds.....	4,006	113,793	10,248,266	5,563,413	<b>15,929,478</b>
Other bonds .....	207,374	103,086	6,441,142	927,215	<b>7,678,817</b>
<b>Total.....</b>	<b>361,614</b>	<b>908,428</b>	<b>25,422,382</b>	<b>16,292,593</b>	<b>42,985,017</b>

	<i>For the year ended 31 December 2016</i>			<i>As at 31 December 2015</i>		
	<i>Average Interest Rates</i>			<i>Average Interest Rates</i>		
	<i>TL</i>	<i>U.S.\$</i>	<i>EUR</i>	<i>TL</i>	<i>U.S.\$</i>	<i>EUR</i>
<b>Debt Securities</b>						
Government bonds.....	9.49	-	-	9.66	-	-
Treasury bills .....	-	-	-	-	-	-
Eurobonds.....	-	3.73	2.91	-	3.69	2.54
Other bonds .....	12.94	3.65	1.58	12.70	4.05	2.33

### *Held-to-maturity securities*

The following table (derived from the Akbank BRSA Financial Statements) shows a breakdown of Akbank's held-to-maturity securities as at 31 December 2016, 2015 and 2014, respectively.

	<i>As at 31 December 2016</i>		<i>2015</i>		<i>2014</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(TL thousands, except percentages)</i>					
<b>Debt Securities<sup>(1)</sup></b>						
Government bonds.....	5,485,602	30.5%	5,184,759	48.5%	5,790,655	53.6%
Treasury bills .....	-	0.0%	-	0.0%	-	0.0%
Eurobonds.....	9,976,303	55.5%	5,503,681	51.5%	5,009,456	46.4%
Other bonds .....	2,514,965	14.0%	-	0.0%	-	0.0%
<b>Total.....</b>	<b>17,976,870</b>	<b>100.0%</b>	<b>10,688,440</b>	<b>100.0%</b>	<b>10,800,111</b>	<b>100.0%</b>

Note:

- (1) All of Akbank's available-for-sale government bonds, treasury bills and most of its Eurobonds are Turkish government securities, apart from a relatively small amount of Turkish and Dutch corporate bonds and Turkish corporate bonds.

The following tables (derived from the Akbank BRSA Financial Statements) set forth Akbank's held-to-maturity securities and their effective average interest rates on a currency basis, by maturity as at 31 December 2016, 31 December 2015 and 31 December 2014.

<i>As at 31 December 2016</i>				
	<i>Up to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
			<i>(TL thousands)</i>	<i>Total</i>
<b>Debt Securities</b>				
Government bonds.....	-	188	4,326,590	1,158,824
Eurobonds.....	-	684,598	7,921,962	1,369,743
Other bonds .....	-	-	2,514,965	-
<b>Total.....</b>	<b>-</b>	<b>684,786</b>	<b>14,763,517</b>	<b>2,528,567</b>
				<b>17,976,870</b>

<i>As at 31 December 2015</i>				
	<i>Up to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
			<i>(TL thousands)</i>	<i>Total</i>
<b>Debt Securities</b>				
Government bonds.....	-	197	1,981,243	3,203,319
Eurobonds.....	-	120,834	5,382,847	-
Other bonds .....	-	-	-	-
<b>Total.....</b>	<b>-</b>	<b>121,031</b>	<b>7,364,090</b>	<b>3,203,319</b>
				<b>10,688,440</b>

<i>As at 31 December 2014</i>				
	<i>Up to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>
			<i>(TL thousands)</i>	<i>Total</i>
<b>Debt Securities</b>				
Government bonds.....	472,092	427,441	1,458,890	3,432,232
Eurobonds.....	-	-	4,156,219	853,237
Other bonds .....	-	-	-	-
<b>Total.....</b>	<b>472,092</b>	<b>427,441</b>	<b>5,615,109</b>	<b>4,285,469</b>
				<b>10,800,111</b>

	<i>As at 31 December 2016</i>			<i>As at 31 December 2015</i>			<i>As at 31 December 2014</i>		
	<i>Average Interest Rates</i>			<i>Average Interest Rates</i>			<i>Average Interest Rates</i>		
	<i>TL</i>	<i>U.S.\$</i>	<i>EUR</i>	<i>TL</i>	<i>U.S.\$</i>	<i>EUR</i>	<i>TL</i>	<i>U.S.\$</i>	<i>EUR</i>
<b>Debt Securities</b>									
Government bonds <sup>(1)</sup> .....	9.82	-	-	9.70	-	-	11.2	-	-
Eurobonds.....	-	3.84	3.69	-	3.83	3.69	-	3.83	3.69
Other bonds .....	-	4.78	3.12	-	-	-	-	-	-

Note:

(1) All of Akbank's held-to-maturity government bonds, treasury bills and Eurobonds are Turkish government securities.

As at 31 December 2016, the size of Akbank's investment portfolio decreased by 2.2% to TL52.8 billion from TL54.0 billion as at 31 December 2015, primarily due to an 4% decline in TL securities and 18% decline in Eurobond portfolio. As at 31 December 2015, the size of Akbank's investment portfolio increased by 11.4% to TL54.0 billion from TL48.4 billion as at 31 December 2014, primarily due to a 12% increase in the Eurobond portfolio while the volume of TL securities held declined by 9% in the same period based on Akbank's strategy to manage its securities portfolio opportunistically to take advantage of market conditions.

## Trading Securities

Akbank also maintains a trading portfolio of marketable securities. The following table (derived from the Akbank BRSA Financial Statements) shows a breakdown of Akbank's trading securities as at the dates indicated.

	As at 31 December					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
	(TL thousands, except percentages)					
Government bonds.....	9,865	15.4%	9,996	24.7%	8,525	15.5%
Eurobonds.....	-	0.0%	107	0.3%	2,491	4.5%
Treasury bills.....	-	0.0%	-	0.0%	-	0.0%
Listed equities.....	7,268	11.4%	6,532	16.1%	68	0.1%
Other.....	46,788	73.2%	23,878	58.9%	43,880	79.8%
<b>Total.....</b>	<b>63,921</b>	<b>100.0%</b>	<b>40,513</b>	<b>100.0%</b>	<b>54,964</b>	<b>100.0%</b>

The following tables (derived from the Akbank BRSA Financial Statements) sets forth Akbank's trading securities and their effective average interest rates on a currency basis, excluding equity securities, by maturity as at 31 December 2016, 31 December 2015 and 31 December 2014.

	As at 31 December 2016				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(TL thousands)				
Government bonds.....	-	9,865	-	-	<b>9,865</b>
Eurobonds.....	-	-	-	-	-
Treasury bills.....	-	-	-	-	-
<b>Total.....</b>	<b>-</b>	<b>9,865</b>	<b>-</b>	<b>-</b>	<b>9,865</b>

	As at 31 December 2015				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(TL thousands)				
Government bonds.....	24	9,172	800	-	<b>9,996</b>
Eurobonds.....	85	-	22	-	<b>107</b>
Treasury bills.....	-	-	-	-	-
<b>Total.....</b>	<b>109</b>	<b>9,172</b>	<b>822</b>	<b>-</b>	<b>10,103</b>

	As at 31 December 2014				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(TL thousands)				
Government bonds.....	45	5,833	1,544	1,103	<b>8,525</b>
Eurobonds.....	135	-	633	1,723	<b>2,491</b>
Treasury bills.....	-	-	-	-	-
<b>Total.....</b>	<b>180</b>	<b>5,833</b>	<b>2,177</b>	<b>2,826</b>	<b>11,016</b>

	<i>For the year ended 31 December 2016</i>			<i>As at 31 December 2015</i>		
	<i>Average Interest Rates</i>			<i>Average Interest Rates</i>		
	<i>TL</i>	<i>U.S.\$</i>	<i>Euro</i>	<i>TL</i>	<i>U.S.\$</i>	<i>Euro</i>
Government bonds.....	12.27	-	-	13.16	-	-
Treasury bills .....	-	-	-	-	-	-
Eurobonds.....	-	-	-	-	-	3.26

## Loan and Guarantee Portfolio

As at 31 December 2016, Akbank's total loans net of allowance for loan losses equalled TL174.8 billion, or 59.3% of total assets. In addition to loans, Akbank had outstanding as at 31 December 2016 guarantees amounting to TL27.2 billion, acceptances amounting to TL3.6 billion and letters of credit amounting to TL5.2 billion.

The table below (derived from the Akbank BRSA Financial Statements) sets forth the composition of Akbank's cash and non-cash credit exposure as at 31 December 2016, 2015 and 2014, respectively.

	<i>As at 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
		<i>(TL thousands)</i>	
Cash loans <sup>(1)</sup> .....	175,965,488	150,923,304	134,027,136
Non-cash loans .....	-	-	-
Letters of guarantee <sup>(2)</sup> .....	27,151,792	22,551,264	22,362,816
Acceptance credits <sup>(2)</sup> .....	3,583,229	933,230	1,130,533
Letters of credit.....	5,232,776	5,359,136	5,463,720
Other guarantees .....	4,379,339	3,513,090	3,286,394
<b>Total.....</b>	<b>216,312,624</b>	<b>183,280,024</b>	<b>166,270,599</b>

Notes:

(1) Includes overdue loans, net of allowance for loan issues.

(2) Includes TL0.9 billion of guarantee and acceptance credits issued to related parties as at 31 December 2016, TL1.4 billion as at 31 December 2015 and TL2.0 billion as at 31 December 2014.



## Foreign Currency Exposure

The table below (derived from the Akbank BRSA Financial Statements) shows a breakdown of Akbank's loan and guarantee portfolios by currency exposure as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December		
	2016	2015	2014
	(TL thousands)		
<b>Loans</b>			
TL .....	108,979,221	93,013,626	85,861,033
Foreign Currency .....	69,914,012	60,452,870	50,270,367
U.S.\$ .....	36,156,859	35,133,722	33,116,081
EUR .....	33,639,670	25,256,262	17,096,104
Other .....	117,483	62,886	58,182
<b>Total .....</b>	<b>178,893,233</b>	<b>153,466,496</b>	<b>136,131,400</b>
<b>Non-cash loans</b>			
Letters of guarantee			
TL .....	13,721,435	11,863,179	13,277,182
FC .....	13,430,357	10,688,085	9,085,634
Acceptance credits			
TL .....	-	-	-
FC .....	3,583,229	933,230	1,130,533
Letters of credit			
TL .....	260	396	-
FC .....	5,232,516	5,358,740	5,463,720
Other guarantees			
TL .....	2,254,757	1,899,379	1,560,987
FC .....	2,124,582	1,613,711	1,725,407
<b>Total .....</b>	<b>40,347,136</b>	<b>32,356,720</b>	<b>32,243,463</b>

## Distribution of Loans by Type of Borrower

The following table (derived from the Akbank BRSA Financial Statements) sets forth Akbank's cash loans, including accrued interest and excluding allowance for loan losses, by type of loan and the percentage contribution to the total loan portfolio, as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December					
	2016	%	2015	%	2014	%
	(TL thousands, except percentages)					
Public Sector Loans .....	1,983,806	1.1%	1,520,933	1.0%	2,256,645	1.7%
Private Sector Loans .....	176,754,457	98.9%	151,798,250	99.0%	133,723,429	98.3%
<b>Total Loans .....</b>	<b>178,738,263</b>	<b>100.0%</b>	<b>153,319,183</b>	<b>100.0%</b>	<b>135,980,074</b>	<b>100.0%</b>

As at 31 December 2016, Akbank's loan portfolio comprised 38.2% corporate, 38.3% commercial and small and micro, 16.4% consumer and 7.1% credit card loans.

Loans to the public sector comprise mainly project finance loans representing long-term loans extended in relation to infrastructure construction under the management and guarantee of the Undersecretariat of the Turkish Treasury.

Akbank's strategy in lending is balanced loan growth with keeping its strong presence in the corporate, commercial and consumer banking market, maintaining its customer-focused approach and improving its customer service by continuing to increase its operational efficiency. See "Information about Akbank—Business—Strategy" in the Base Prospectus, which is incorporated herein by reference.

Akbank is as of the date of this Prospectus within the limits imposed by Turkish banking regulations with respect to its exposure to any one borrower or group of borrowers, including to Sabancı Group companies,

see "Information about Akbank – Related Party Transactions" in the Base Prospectus, which is incorporated herein by reference. According to Banking Law No. 5411, published in the Reiterated Official Gazette No 25983 dated 1 November 2005, the single exposure limit is set at 20% in the case of a related party group and 25% in the case of a non-related party group.

### ***Distribution of Loans by Sector***

The following table (derived from the Akbank BRSA Financial Statements) shows the breakdown of the loan portfolio by sector as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December					
	2016	%	2015	%	2014	%
	<i>(TL thousands, except percentages)</i>					
Consumer loans and credit cards .....	40,092,257	22.4%	39,573,075	25.8%	42,583,163	31.3%
Mortgage.....	13,569,841	7.6%	13,446,919	8.8%	13,056,473	9.6%
Automobile .....	378,283	0.2%	539,389	0.4%	810,024	0.6%
General Purpose .....	15,483,543	8.7%	14,687,963	9.6%	17,132,542	12.6%
Retail Credit Cards .....	10,660,590	6.0%	10,898,804	7.1%	11,584,124	8.5%
Financial institutions .....	20,774,570	11.6%	12,366,155	8.1%	9,584,714	7.0%
Wholesaling .....	10,310,613	5.8%	17,389,981	11.3%	12,575,747	9.2%
Retailers .....	13,884,770	7.8%	13,213,374	8.6%	11,607,826	8.5%
Other manufacturing.....	5,396,568	3.0%	8,836,325	5.8%	8,819,469	6.5%
Automotive .....	2,586,740	1.4%	1,799,734	1.2%	1,384,038	1.0%
Steel and mining.....	6,210,856	3.5%	3,944,191	2.6%	2,838,978	2.1%
Food and beverage .....	4,500,124	2.5%	2,632,605	1.7%	2,210,412	1.6%
Chemicals.....	3,351,343	1.9%	1,462,927	1.0%	2,140,363	1.6%
Textile .....	4,072,459	2.3%	3,580,068	2.3%	3,288,644	2.4%
Telecommunication .....	5,816,614	3.3%	4,579,290	3.0%	3,607,809	2.7%
Construction .....	24,069,712	13.5%	13,794,595	9.0%	11,786,229	8.7%
Agriculture and forestry .....	992,389	0.6%	1,578,102	1.0%	977,627	0.7%
Electronics.....	902,681	0.5%	340,375	0.2%	445,003	0.3%
Tourism.....	2,010,684	1.1%	2,702,900	1.8%	1,975,210	1.5%
Health care and social services .....	2,079,284	1.2%	1,594,398	1.0%	1,266,825	0.9%
Other .....	31,686,599	17.5%	23,931,088	15.6%	18,888,017	13.9%
<b>Performing loans .....</b>	<b>178,738,263</b>	<b>100.0%</b>	<b>153,319,183</b>	<b>100.0%</b>	<b>135,980,074</b>	<b>100.0%</b>
Non-performing loans .....	4,267,191		3,373,323		2,330,155	
<b>Total loans and advances to customers .....</b>	<b>183,005,454</b>		<b>156,692,506</b>		<b>138,310,229</b>	
 Allowance for loan losses .....	 (7,039,966)		 (5,769,202)		 (4,283,093)	
 <b>Net loans and advances to customers .....</b>	 <b>175,965,488</b>		 <b>150,923,304</b>		 <b>134,027,136</b>	

The aggregate share of consumer and credit card loans in total loans has decreased in the past three years from 32.3% to 26.9% in 2014 and 2015 respectively, and decreased again in 2016 to 23.5% in line with Akbank's lending strategy. Growth in consumer lending and credit card loans was up 3.5% in 2014, declined 6.1% in 2015, and increased by 2.2% in 2016. Corporate, commercial and small business loans, however, increased by 21.8% and 21.9%, respectively, in 2015 and in 2016. Corporate loans increased by 27.9% and 20.8% in 2015 and in 2016, respectively, while small business loans increased by 16.1% and 22.9% in 2015 and in 2016, respectively.

As at 31 December 2016, 2015 and 2014, the share in total loans of domestic Turkish loans was between 96.0% and 96.8%. Of the remaining loans made to borrowers outside Turkey, borrowers were located predominantly in EU member countries with no material concentration in any one country over time.

## Maturity Profile of the Loan and Guarantee Portfolios

The tables below (derived from the Akbank BRSA Financial Statements) set forth a breakdown of the maturity profile of Akbank's loan and guarantee portfolios as at 31 December 2016, 2015 and 2014, respectively.

Loans							Fixed Rate	Floating Rate
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No Maturity	Total	Loans %	Loans %
	(TL thousands, except percentages)							
31 December 2016.....	49,376,096	38,549,688	68,930,492	21,881,987	154,970	178,893,233	65.0%	35.0%
31 December 2015.....	42,812,520	36,211,285	54,660,266	19,635,112	147,313	153,466,496	62.0%	38.0%
31 December 2014.....	39,291,020	30,085,077	47,514,119	19,089,858	151,326	136,131,400	64.0%	36.0%
Guarantees <sup>(1)</sup>	Up to 1 year	Over 1 year	Total					
31 December 2016.....	11,624,512	28,722,624	40,347,136					
31 December 2015.....	7,789,870	24,566,850	32,356,720					
31 December 2014.....	8,919,338	23,324,125	32,243,463					

Note:

(1) Includes acceptance credits and export commitments.

## Distribution of Loans by Size

The following table (derived from the management accounts) presents the distribution of Akbank's loan portfolio by size as at 31 December 2016, 2015 and 2014, respectively.

	<i>As at 31 December</i>					
	<i>2016</i>	<i>%</i>	<i>2015</i>	<i>%</i>	<i>2014</i>	<i>%</i>
<i>(TL thousands, except percentages)</i>						
Over TL1,000,000.....	126,936,478	71.0%	102,780,610	67.0%	82,547,623	60.7%
TL500,000 – 1,000,000.....	4,639,701	2.6%	4,235,107	2.8%	3,982,578	2.9%
TL100,000 – 500,000.....	12,443,650	7.0%	11,939,815	7.8%	11,639,020	8.6%
TL50,000 – 100,000.....	7,749,089	4.3%	7,800,714	5.1%	9,092,052	6.7%
Less than TL50,000.....	26,969,345	15.1%	26,562,937	17.3%	28,718,801	21.1%
<b>Performing loans</b> .....	<b>178,738,263</b>	<b>100.0%</b>	<b>153,319,183</b>	<b>100.0%</b>	<b>135,980,074</b>	<b>100.0%</b>
Non-performing loans.....	4,267,191		3,373,323		2,330,155	
Allowance for loan losses.....	(7,039,966)		(5,769,202)		(4,283,093)	
<b>Net loans and advances to customers</b> .....	<b>175,965,488</b>		<b>150,923,304</b>		<b>134,027,136</b>	

## Distribution of Loans by Type

The following table shows a breakdown of Akbank's Corporate, Commercial and small and micro, Consumer and Credit Card Loans by type, derived from the Akbank BRSA Financial Statements as at 31 December 2016, 2015 and 2014, respectively.

	<i>As at 31 December</i>				
	<i>2016</i>	<i>p-o-p</i>	<i>2015</i>	<i>y-o-y</i>	<i>2014</i>
<i>(TL millions, except percentages)</i>					
TL Corporate.....	20,131	40.7%	14,309	83.3%	7,808
FX Corporate (USD).....	13,763	(6.1)%	14,660	(6.2)	15,633
TL Commercial and small.....	42,624	25.7%	33,918	12.4%	30,164
FX Commercial and small (USD).....	7,342	(2.4)%	7,522	(1.3)%	7,619
Consumer.....	29,412	2.6%	28,677	(7.5)%	30,999
Credit Cards.....	12,703	1.4%	12,531	(2.9)%	12,904

## Geographic Distribution of Loans

The following table (derived from the management accounts) shows the geographic distribution of Akbank's loan portfolio (by location of the branch) as at 31 December 2016, 2015 and 2014, respectively. As noted above, only approximately 2-3% of Akbank's total loans for the periods shown were made to borrowers outside Turkey. Accordingly, loans shown below as booked by Akbank's foreign branches and subsidiaries are not necessarily made to borrowers in the jurisdictions where those foreign branches and subsidiaries are located.

	As at 31 December					
	2016	%	2015	%	2014	%
	(TL thousands, except percentages)					
Istanbul Region .....	81,985,460	45.9%	70,993,758	46.3%	58,430,682	43.0%
Trakya Region .....	2,066,310	1.2%	1,837,251	1.2%	629,678	0.5%
Ankara Region .....	25,636,889	14.3%	22,349,522	14.6%	22,339,721	16.4%
Bursa Region .....	5,674,275	3.2%	5,180,582	3.4%	4,938,717	3.6%
Çukurova Region .....	11,936,183	6.7%	10,925,451	7.1%	11,340,156	8.3%
Eastern Black Sea Region .....	3,353,397	1.9%	3,157,912	2.1%	2,761,647	2.0%
Aegean Region .....	13,289,173	7.4%	11,933,865	7.8%	11,420,917	8.4%
Eskişehir Region .....	929,353	0.5%	935,792	0.6%	915,904	0.7%
South-eastern Anatolia Region .....	5,368,667	3.0%	5,317,821	3.5%	5,412,339	4.0%
Samsun Region .....	3,902,066	2.2%	3,503,228	2.3%	4,610,508	3.4%
Denizli Region .....	1,801,307	1.0%	1,513,438	1.0%	1,373,064	1.0%
Foreign Branch and Subsidiaries .....	22,795,181	12.7%	15,670,562	10.2%	11,806,741	8.7%
<b>Total Performing Loans .....</b>	<b>178,738,263</b>	<b>100.0%</b>	<b>153,319,183</b>	<b>100.0%</b>	<b>135,980,074</b>	<b>100.0%</b>
Non-Performing Loans .....	4,267,191		3,373,323		2,330,155	
<b>Total Loans .....</b>	<b>183,005,454</b>		<b>156,692,506</b>		<b>138,310,229</b>	
Allowance for Loan Losses .....	(7,039,966)		(5,769,202)		(4,283,093)	
<b>Total Net Loans .....</b>	<b>175,965,488</b>		<b>150,923,304</b>		<b>134,027,136</b>	

## Non-performing Loans; Provisioning; Loan Losses

If the collectability of any loan or receivable is identified as limited or doubtful by Akbank management, Akbank provides specific provisions in accordance with the applicable law. Banks are also required to set aside general reserves for cash and non-cash loans depending on the categories they are classified in. The currently applicable general provision requirements are (i) 1% of cash loans and 0.2% of non-cash loans if they are classified as standard loans and (ii) 2% of cash loans and 0.4% of non-cash if they are classified as closely monitored loans. As a result of the regulation published in the Official Gazette on 27 September 2016 and numbered 29840, the previous requirement that was in force from 8 October 2013 and which required all banks with consumer lending portfolios exceeding 25% of their overall loan bank, or with non-performing consumer loans (classified as illiquid claims (*donuk alacaklar*), excluding mortgage loans) ratios greater than 8% of their total consumer loans, had to set aside higher general provisioning of 4% for the outstanding standard loans and 8% for the outstanding closely monitored loans no longer applies.

Akbank has adopted a more conservative policy regarding provisions for NPLs than required by BRSA. Akbank has set aside 96.2% specific and general provisioning for its non-performing loans. The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year. See "Loan Loss Reserves" and "New Loan Qualifications and Provisions Regulation" in the Base Prospectus.

The following table (derived from the management accounts) shows the geographic distribution of the non-performing loan loss portfolio (by location) as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December					
	2016	%	2015	%	2014	%
	(TL thousands, except percentages)					
Istanbul Region .....	1,435,057	33.6%	1,122,901	33.3%	826,134	35.5%
Trakya Region .....	73,108	1.7%	66,269	2.0%	44,024	1.9%

Ankara Region.....	578,035	13.5%	466,364	13.8%	306,456	13.2%
Bursa Region .....	200,739	4.7%	146,917	4.4%	95,112	4.1%
Çukurova Region .....	603,764	14.1%	511,369	15.2%	369,462	15.9%
Eastern Black Sea Region .....	143,590	3.4%	127,416	3.8%	81,747	3.5%
Aegean Region .....	533,147	12.5%	408,305	12.1%	269,757	11.6%
Eskişehir Region.....	73,194	1.7%	35,997	1.1%	27,802	1.2%
South-eastern Anatolia Region .....	343,982	8.1%	269,629	8.0%	167,847	7.2%
Samsun Region .....	233,652	5.5%	185,336	5.5%	119,973	5.1%
Denizli Region.....	47,874	1.1%	31,988	0.9%	21,329	0.9%
Other.....	1,049	0.0%	832	0.0%	512	0.0%
<b>Total.....</b>	<b>4,267,191</b>	<b>100.0%</b>	<b>3,373,323</b>	<b>100.0%</b>	<b>2,330,155</b>	<b>100.0%</b>

For a discussion of Akbank's non-performing loans, see "*Risk Management—Identification and Remediation of Problem Loans*" and "*Provision for Loan Losses*".

### ***Non-Performing Loan Ratios***

Akbank's non-performing loan ratios as at 31 December 2016, 2015 and 2014 were 2.3%, 2.2% and 1.7%, respectively, as compared to the Turkish banking sector's non-performing loans ratios of 3.2%, 3.1% and 2.8%, respectively, as at the same dates.

### ***Breakdown of Non-Performing Loan Performance***

The following table shows a breakdown of new non-performing loans, collections and NPL sale revenue, derived from the Akbank BRSA Financial Statements for the years ended 31 December 2016, 2015 and 2014:

	<i>For the year ended 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL millions)</i>		
New NPLs .....	2,081,371	2,019,449	1,855,391
Collections.....	(717,918)	(634,304)	(613,995)
NPL Sale Revenue .....	(49.1)	(40.3)	(85)

Akbank also periodically engages in sales of non-performing loans. On 20 May 2013, TL250.5 million of Akbank's non-performing loan portfolio has been sold to Efes Varlık Yönetimi A.Ş. for TL58.3 million. On 10 April 2014, TL252.2 million of Akbank's non-performing loan portfolio was sold to Girişim Varlık Yönetimi A.Ş. at a price of TL44 million. On 29 December 2014, TL250.2 million of Akbank's non-performing loan portfolio was sold to Efes Varlık Yönetimi A.Ş. at a price of TL41 million. On 5 January 2015, TL248.5 million of Akbank's non-performing loan portfolio was sold to Girişim Varlık Yönetimi A.Ş. for TL40.3 million.

### ***Allowance for Loan Losses***

The following table (derived from the Akbank BRSA Financial Statements) shows movements in Akbank's allowance for loan losses including both specific and general loan losses as at 31 December 2016, 2015 and 2014, respectively. Akbank does not hold other interest-earning assets that would have fallen into the non-performing category other than assets that are classified as loans.

	<i>As at 31 December</i>		
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands)</i>		
Balance at beginning of year.....	3,373,323	2,330,155	1,676,682
Additions .....	2,081,371	2,019,449	1,855,391
Collections.....	717,918	634,304	613,995
Write-offs .....	469,585	341,977	587,923
Exchange differences .....	-	-	-

Balance at end of quarter year .....	4,267,191	3,373,323	2,330,155
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## Sources of Funds

Historically, short-term customer deposits have been Akbank's principal source of funding, which has provided Akbank with a competitive advantage in cost of funds and has contributed to the liquidity in Akbank's balance sheet. Akbank's ability to obtain and retain customer deposits is supported by its extensive branch network. With expansion of its deposit base and growth of the share of its demand deposits among Akbank's top priorities, saving deposits constitute 54.6% of Akbank's total customer deposits as at 31 December 2016.

Between 31 December 2015 and 31 December 2016, Akbank's deposits increased by 16.4%, and reached TL174.0 billion as at 31 December 2016. Over the same period Akbank saw growth in both retail and corporate deposits due to Akbank's focus on growing its deposit funding base and TL deposits increased by 22.4%.

The following table (derived from the Akbank BRSA Financial Statements) sets forth the principal sources of funds for Akbank's operations as at 31 December 2016, 2015 and 2014, respectively.

	As at 31 December					
	2016	%	2015	%	2014	%
	(TL thousands, except percentages)					
Customer Deposits .....	166,766,179	67.8%	136,552,932	64.3%	108,710,675	59.4%
Saving Deposits .....	49,949,072	20.3%	43,615,400	20.5%	40,008,671	21.9%
Foreign Currency Deposits .....	82,813,152	33.6%	68,110,012	32.1%	45,552,888	24.9%
Public Sector Deposits .....	379,125	0.2%	889,305	0.4%	997,181	0.5%
Commercial Deposits .....	26,975,485	11.0%	19,674,564	9.3%	17,507,626	9.6%
Other Institutions Deposits .....	5,482,698	2.2%	3,486,374	1.6%	3,418,956	1.9%
Gold Vault .....	1,166,647	0.5%	777,277	0.4%	1,225,353	0.7%
Bank Deposits .....	7,201,625	2.9%	12,917,886	6.1%	13,583,401	7.4%
Money Markets .....	27,320,042	11.1%	24,249,239	11.4%	28,851,360	15.8%
Funds Borrowed .....	32,304,286	13.1%	26,176,875	12.3%	21,269,361	11.6%
Securities Issued (Net) .....	12,533,301	5.1%	12,410,789	5.8%	10,540,424	5.8%
<b>Total .....</b>	<b>246,125,433</b>	<b>100.0%</b>	<b>212,307,721</b>	<b>100.0%</b>	<b>182,955,221</b>	<b>100.0%</b>

## Deposits

As at 31 December 2016, total deposits were TL174.0 billion, compared to TL149.5 billion as at 31 December 2015 and TL122.3 billion as at 31 December 2014.

The tables below (derived from the Akbank BRSA Financial Statements) give the breakdown of the total deposit base by type as at the dates indicated.

	As at 31 December 2016				As at 31 December 2015			
	Demand	Time	Total	%	Demand	Time	Total	%
	(TL thousands, except percentages)							
<b>Saving deposits .....</b>	<b>8,069,435</b>	<b>41,879,637</b>	<b>49,949,072</b>	<b>28.7</b>	<b>5,854,541</b>	<b>37,760,859</b>	<b>43,615,400</b>	<b>29.2</b>
Located in Turkey .....	8,069,435	41,878,769	49,948,204	-	5,854,541	37,760,036	43,614,577	-
Located in foreign countries and foreign countries .....	0	868	868	-	0	823	823	-
<b>Foreign Currency Deposits .....</b>	<b>12,192,760</b>	<b>70,620,392</b>	<b>82,813,152</b>	<b>47.6</b>	<b>9,425,204</b>	<b>58,684,808</b>	<b>68,110,012</b>	<b>45.6</b>
Located in Turkey .....	10,007,922	51,559,572	61,567,494	-	8,162,755	45,302,894	53,465,649	-
Located in foreign countries and foreign countries .....	2,184,838	19,060,820	21,245,658	-	1,262,449	13,381,914	14,644,363	-
<b>Public Sector Deposits .....</b>	<b>293,278</b>	<b>85,847</b>	<b>379,125</b>	<b>0.2</b>	<b>827,355</b>	<b>61,950</b>	<b>889,305</b>	<b>0.6</b>
Located in Turkey .....	293,278	85,847	379,125	-	827,355	61,950	889,305	-
Located in foreign countries and foreign countries .....	0	0	0	-	0	0	0	-
<b>Commercial Deposits .....</b>	<b>7,529,160</b>	<b>19,446,325</b>	<b>26,975,485</b>	<b>15.5</b>	<b>5,139,789</b>	<b>14,534,775</b>	<b>19,674,564</b>	<b>13.2</b>
Located in Turkey .....	7,529,160	17,045,675	24,574,835	-	5,122,973	11,899,875	17,022,848	-

Located in foreign countries and foreign countries .....	0	2,400,650	2,400,650	-	16,816	2,634,900	2,651,716	-
<b>Other Institutions Deposits</b> .....	<b>273,469</b>	<b>5,209,229</b>	<b>5,482,698</b>	<b>3.2</b>	<b>200,889</b>	<b>3,285,485</b>	<b>3,486,374</b>	<b>2.3</b>
Located in Turkey .....	273,469	5,173,746	5,447,215	-	200,889	3,263,846	3,464,735	-
Located in foreign countries and foreign countries .....	0	35,483	35,483	-	0	21,639	21,639	-
<b>Gold Vault</b> .....	<b>1,079,125</b>	<b>87,522</b>	<b>1,166,647</b>	<b>0.7</b>	<b>721,005</b>	<b>56,272</b>	<b>777,277</b>	<b>0.5</b>
Located in Turkey .....	1,079,125	87,522	1,166,647	-	721,005	56,272	777,277	-
Located in foreign countries and foreign countries .....	0	0	0	-	0	0	0	-
<b>Bank Deposits</b> .....	<b>972,501</b>	<b>6,229,124</b>	<b>7,201,625</b>	<b>4.1</b>	<b>256,697</b>	<b>12,661,189</b>	<b>12,917,886</b>	<b>8.6</b>
Located in Turkey .....	944,680	(424,151)	520,529	-	236,539	1,848,829	2,085,368	-
Located in foreign countries .....	27,821	6,653,275	6,681,096	-	20,158	10,812,360	10,832,518	-
<b>Total</b> .....	<b>30,409,728</b>	<b>143,558,076</b>	<b>173,967,804</b>	<b>100.0</b>	<b>22,425,480</b>	<b>127,045,338</b>	<b>149,470,818</b>	<b>100.0</b>

As at 31 December 2014

	Demand	Time	Total	%
	(TL thousands, except percentages)			
<b>Saving deposits</b> .....	<b>4,764,506</b>	<b>35,244,165</b>	<b>40,008,671</b>	<b>32.7</b>
Located in Turkey .....	4,764,506	35,243,949	40,008,455	-
Located in foreign countries and foreign countries .....	0	216	216	-
<b>Foreign Currency Deposits</b> .....	<b>7,282,224</b>	<b>38,270,664</b>	<b>45,552,888</b>	<b>37.2</b>
Located in Turkey .....	6,372,895	24,338,852	30,711,747	-
Located in foreign countries and foreign countries .....	909,329	13,931,812	14,841,141	-
<b>Public Sector Deposits</b> .....	<b>828,740</b>	<b>168,441</b>	<b>997,181</b>	<b>0.8</b>
Located in Turkey .....	828,740	168,441	997,181	-
Located in foreign countries and foreign countries .....	0	0	0	-
<b>Commercial Deposits</b> .....	<b>4,865,220</b>	<b>12,642,406</b>	<b>17,507,626</b>	<b>14.3</b>
Located in Turkey .....	4,865,220	11,553,990	16,419,210	-
Located in foreign countries and foreign countries .....	0	1,108,416	1,108,416	-
<b>Other Institutions Deposits</b> .....	<b>169,932</b>	<b>3,249,024</b>	<b>3,418,956</b>	<b>2.8</b>
Located in Turkey .....	169,932	3,115,643	3,285,575	-
Located in foreign countries and foreign countries .....	0	133,381	133,381	-
<b>Gold Vault</b> .....	<b>1,179,639</b>	<b>45,714</b>	<b>1,225,353</b>	<b>1.0</b>
Located in Turkey .....	1,179,639	45,714	1,225,353	-
Located in foreign countries and foreign countries .....	0	0	0	-
<b>Bank Deposits</b> .....	<b>501,286</b>	<b>13,082,115</b>	<b>13,583,401</b>	<b>11.1</b>
Located in Turkey .....	495,731	4,085,885	4,581,616	-
Located in foreign countries and foreign countries .....	5,555	8,996,230	9,001,785	-
<b>Total</b> .....	<b>19,591,547</b>	<b>102,702,529</b>	<b>122,294,076</b>	<b>100.0</b>

As at 31 December 2016, 2015 and 2014, respectively, 27.9%, 34.8% and 27.0% of Akbank's total deposits were denominated in U.S. Dollars (54.2%, 64.6% and 57.9% of total foreign currency deposits) and 21.5%, 17.1% and 16.8% of total deposits were denominated in Euro (41.9%, 31.7% and 36.1% of total foreign currency deposits).

The following table (derived from the Akbank BRSA Financial Statements) shows the maturities of deposits as at 31 December 2016, 2015 and 2014, respectively.

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	(TL thousands)				
31 December 2016 .....	151,822,450	15,611,181	6,063,731	470,442	173,967,804
31 December 2015 .....	135,843,041	10,633,715	2,670,321	323,741	149,470,818
31 December 2014 .....	108,302,639	9,602,101	4,129,092	260,244	122,294,076

## Business Transactions with Related Parties

Shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, associated companies, and other companies within the Sabancı Group are considered and referred to as related parties.

The following table shows the breakdown of the business transactions with related parties as at 31 December 2016, 2015 and 2014, respectively.

As at 31 December

	% of Related Item		% of Related Item		% of Related Item
2016		2015		2014	

(TL thousands, except percentages)

Cash loans.....	4,591,797	2.6%	3,421,775	2.2%	2,464,548	1.8%
Non-cash loans .....	900,355	2.2%	1,447,302	4.5%	1,986,344	6.2%
Cash and due from banks .....						
Finance lease receivables .....	88,173	1.8%	97,991	2.5%	5,890	0.2%
Deposits .....	4,488,435	2.6%	4,283,836	2.9%	3,452,685	2.8%
Derivatives <sup>(1)</sup> .....	10,110,973	2.5%	3,501,482	1.4%	2,364,278	1.4%

Note:

(1) The balance shows the total of sale and purchase amounts of the related transactions.

## Capital Adequacy

Akbank currently satisfies the capital requirements of the BRSA, which correspond to the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the "**Basel Guidelines**"). The Basel Guidelines require a bank to have a ratio of capital to assets and certain off-balance sheet items, determined on a risk-weighted basis, of at least 8%. As at 31 December 2016, 2015 and 2014, Akbank's total risk-based capital ratio (consisting principally of Tier 1 capital) on consolidated basis was 14.16%, 14.46% and 14.89%, respectively. As at 31 December 2016, the sector's average capital adequacy ratio on an unconsolidated basis was 15.57% (Akbank's unconsolidated capital adequacy ratio as at that date was 14.30%) and average Tier I ratio was 13.14% core capital ratio (Akbank's unconsolidated Tier I ratio as at that date was 13.17%). Akbank reports its capital adequacy ratio according to the Standard Method under the Basel II and Basel III Guidelines. Akbank intends to maintain capital ratios in excess of those required by Turkish law and the Basel Guidelines. See also "*Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks—The attempted military coup in Turkey may have a material adverse effect on the relevant Issuer's business, financial condition, results of operations and prospects*", "*Risk Factors—General Risks—Risks Related to Turkey and Other Related Risks—The relevant Issuer's credit ratings may affect the relevant Issuer's ability to obtain funding*", and "*Risk Factors—Risks Related to Akbank—Akbank 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 Akbank's business, financial condition, results of operations and prospects*" in the Base Prospectus.

In 2013, the Basel Committee adopted further revisions to Basel III, which is expected to continue to be implemented in Turkey in phases through 2019. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA has issued regulations for the implementation of new Basel III capital standards and leverage ratios, which came into force on 1 January 2014. Likewise, regulations for the implementation of a liquidity coverage ratio came into force as of 1 January 2015 (except net stable funding ratio and counterparty credit risk requirements), in line with the Basel III road map. Akbank does not expect to experience any difficulty in meeting the new capital requirements due to the nature of its existing capital base, mostly composed of common equity and retained earnings.

In addition, Akbank management believes that the BRSA's decision dated 10 February 2017 and numbered 7234, which determined that Turkish banks may apply the risk weights of foreign currency-denominated claims (including gold) on the Central Bank as 0% under the Capital Adequacy Regulation and this may have a positive impact on the capital adequacy ratio of Turkish banks.



The following tables show the risk-weighted assets and qualifying capital of Akbank for the years ended 31 December 2016, 2015 and 2014, respectively.

	<i>For the year ended 31 December</i>	<i>For the year ended 31 December</i>	<i>For the year ended 31 December</i>
	<i>2016</i>	<i>2015</i>	<i>2014</i>
	<i>(TL thousands)</i>	<i>(TL thousands)</i>	<i>(TL thousands)</i>
<b>Tier 1</b>			
Share capital .....	7,105,892	7,105,892	7,105,892
Legal reserves .....	1,386,657	1,336,311	1,295,468
Extraordinary reserves .....	20,105,476	17,539,334	14,750,379
Other reserves .....	47,236	47,255	47,206
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures .....	3,895	3,895	3,895
Retained earnings.....	5,399,913	3,632,190	3,639,523
Deductions .....	(1,970,860)	(1,624,791)	(679,901)
<b>Total Tier 1 capital .....</b>	<b>32,078,209</b>	<b>28,040,056</b>	<b>26,162,462</b>
<b>Tier 2</b>			
General loans loss reserves .....	2,804,483	2,391,050	2,104,264
Subordinated loans.....	-	-	-
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures .....	-	-	-
Other reserves .....	-	-	-
Deductions.....	(10,844)	(20,255)	(30,349)
<b>Total qualifying capital.....</b>	<b>34,871,848</b>	<b>30,410,851</b>	<b>28,236,377</b>
<b>Risk-weighted assets</b>			
With 2% risk.....	5,401	n/a	n/a
With 20% risk.....	2,302,657	2,017,166	2,175,787
With 35% risk.....	3,920,106	n/a	n/a
With 50% risk.....	43,150,012	30,641,752	22,942,114
With 75% risk.....	37,697,849	22,721,765	24,598,835
With 100% risk.....	133,008,135	111,422,758	92,462,571
With 150% risk.....	115,338	8,591,403	4,144,772
With 200% risk.....	0	14,862,974	27,558,630
With 250% risk.....	0	1,026,195	1,151,010
With CVA risk.....	4,159,106	n/a	n/a
<b>Total risk-weighted assets .....</b>	<b>224,358,602</b>	<b>191,284,013</b>	<b>175,033,719</b>
Market risk.....	4,527,375	4,147,547	1,983,038
Operational risk .....	17,319,817	14,905,739	12,675,550
<b>Total risk-weighted assets and market risk .....</b>	<b>246,205,794</b>	<b>210,337,299</b>	<b>189,692,307</b>
<b>Risk-adjusted capital ratio .....</b>	<b>14.16%</b>	<b>14.46%</b>	<b>14.89%</b>

Akbank's excess capital, which is calculated as Tier 1 plus Tier 2 capital, less economic capital (which is the sum of regulatory capital and additional capital to cover other risks) was TL5,327,162 billion as at 31 December 2016.

## INFORMATION ABOUT AKBANK

The "*Information about Akbank*" and "*Overview of the Issuers and Programme*" sections of the Base Prospectus are (except to the extent noted otherwise herein) incorporated by reference into this Prospectus.

In addition, for purposes of the Notes the "*Information about Akbank*" and "*Overview of the Issuers and Programme*" shall be deemed to be revised as follows (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

- a. The section entitled "***Business—Strategy***" is hereby deleted in its entirety and replaced with the following:

### ***Strategy***

Akbank's corporate goals and strategy are closely aligned with its commitment to the development of the Turkish economy and the Turkish financial system by providing high quality specialised banking products and services that are both innovative and comprehensive. Akbank's objective is to become the leading multi specialist bank in Turkey while sustaining its profitability. To achieve this objective, Akbank has identified the following strategic priorities for 2017 and beyond.

- Focusing on Prudent and Sustainable Growth in Turkey: Akbank plans to continue to focus on the Turkish market where it has substantial local knowledge, enhancing its product and service offerings in the following ways:
    - Increase customer driven profitability;
    - Improve output and cost efficiency;
    - Pursue a balanced loan growth strategy;
    - Diversify funding mix and expand the deposit base;
    - Continue to focus on fee and commission generating businesses;
    - Increase cross sell ratio through successful Customer Relationship Management ("**CRM**");
    - Concentrate on superior customer service and excellence in distribution (physical and digital);
    - Control risk through focus on risk management; and
    - Continue to Focus on Human Capital Recruitment and Development;
  - Solidifying its position as house bank for foreign trade and investment flows of Turkish and international companies;
  - Serving the investment needs of customers through Akbank Wealth Management; and
  - Increasing the use of digital channels.
- b. The following sentence is inserted before the last sentence in the fourth paragraph of the section entitled "***Overview of Akbank***":

On 27 December 2016, Akbank disclosed that it had decided to liquidate its subsidiary in Dubai (Akbank Dubai Limited) and to open a representative office in place thereof.

- c. The fourth bullet point under the section entitled "**Organisational Structure**" is hereby deleted in its entirety and replaced by the following:

- on 28 June 2016, the Private Banking functions within the Consumer and Private Banking Business Unit became part of the Corporate and Investment Banking Business Unit; the Corporate and Investment Banking Business Unit was renamed the Corporate, Investment and Private Banking Business Unit; and the Consumer and Private Banking Business Unit was renamed the Consumer Banking Business Unit.

- d. The following is inserted as the new second paragraph under the section entitled "**Distribution Network**".

One of Akbank's primary strategies is to continue to develop its digital offering. Akbank currently has almost 3.5 million digital customers, 88% of which are mobile customers using Akbank Direkt Mobile. The number of active mobile customers has grown 45% in the past 12 months. Transactions in direct channels currently account for 91% of the Bank's total transactions, including more than 39% of consumer loan sales.

In order to continue the trend towards digitisation, Akbank's current strategy is to increase its digital presence by acquiring new digital customers, migrating existing customers to digital channels, increasing its share of the digital banking market, increasing the number of products available on its digital platforms, expanding digital marketing and increasing effectiveness of it, preparing for mobile-only banking, continuing to expand mobile payment methods, and acting as a pioneer in the market. With this strategy in mind, Akbank has commenced the implementation of a campaign called "Next Generation Akbank", which focuses on a number of initiatives including the increased digitisation of the business, as well as a branch optimisation program and other initiatives. The bank is mainly targeting customers at the age of 25 to 35 and has around 60% digital penetration within this group. The digital penetration ratio increases to around 80% for the white collar segment of this age group. In order to "go digital" a customer must first open a new account in person at a branch location or become a credit card customer by receiving his/her card via courier; after that, the customer can complete almost all transactions online.

- e. The third and fourth paragraph of the section entitled "**Legal Proceedings – Competition Board Investigations**" are hereby deleted in their entirety and replaced by the following:

In a decision dated 2 November 2011, the Turkish Competition Board resolved to initiate an investigation against twelve banks and two subsidiaries of one of those banks, operating in Turkey to determine whether they acted in concert and violated Turkish competition laws in respect of interest rates, commissions and fees applicable to the deposits, loans and credit cards that they offer. As part of this investigation, the Competition Board investigated Akbank. The Competition Board announced its fines on 8 March 2013, with Akbank being fined TL172,165,155 (approximately U.S.\$96 million). In August 2013, Akbank announced that TL129,123,866 of the fine (the amount calculated by benefitting from 25% discount if paid within 30 days of the full written decision within the framework of the provision of Article 17 of the Misdemeanour Law No. 5326) had been paid by Akbank on 16 August 2013 and that Akbank reserved its right to litigate against the related decision. Akbank appealed the fine following its receipt of the detailed decision of the Turkish Competition Board, through an annulment action which was taken to the 2nd Administration Court of Ankara. UYAP informed Akbank on 16 March 2015 that such annulment action was rejected. Akbank appealed that decision to the Council of State within the limitation period, specifically on 9 April 2015, following the receipt of the notice. Subsequently, Akbank's appeal request was denied by the Council of State, and on 1 July 2016, Akbank applied for revision of the decision of the Council of State.

The Competition Law entitles those who have been harmed due to a violation of the Competition Law to claim damages. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are so far no resolved cases opened by any customers against Akbank in this respect, as of 23 February 2017 there are 349 pending cases opened by individual customers claiming damages ranging between TL10 and TL5000. However, the customers will have to prove the actual damages incurred in order to prevail in these cases and in order to show actual damages, the customer will have to prove the interest rate, commissions and fees had there been no violation of the Competition Law.

- f. The second paragraph of the section entitled "**Risk Management – Liquidity Risk**" is hereby deleted in its entirety and replaced by the following:

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk. The ability to fund Akbank's existing and prospective debt requirements is managed by seeking to maintain sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and a broad deposit base, and the ability to close out market positions. Akbank maintains additional resources to provide liquidity when necessary through the Central Bank at an unlimited amount depending on the amount of unencumbered securities, TL15,000 million at the Borsa Istanbul Money Market, TL500 million at the Borsa Istanbul Settlement and Custody Bank Money Market and other banks, and through a liquid marketable securities portfolio. Short-term funding needs are provided using customer deposits. Long-term funding is provided through deposits and long-term foreign funds. 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 Akbank and its exposure to changes in interest rates and exchange rates.

- g. The section entitled "**Senior Management**" is hereby deleted in its entirety and replaced with the following:

Each Business Unit is managed by an Executive Vice President that reports to the CEO. Set forth below is brief biographical information regarding Akbank's Executive Vice Presidents:

Ahmet Fuat Ayla – Executive Vice President – Credit Allocation (age 51)

Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became the Senior Vice President in charge of the Corporate and Commercial Credits Approval Unit in 2005 and was appointed as Executive Vice President in charge of Corporate and Commercial Credits Approval in 2007. Ahmet Fuat Ayla currently serves as Executive Vice President in charge of the Approval of Consumer, Corporate, Commercial and SME Loans. Ahmet Fuat Ayla serves as Vice Chairman of the Board of Directors at AKAsset Management, as well as Member on the Board of Directors of Akbank AG and AkInvestment. Before joining Akbank, Ahmet Fuat Ayla held various senior management positions at different private sector banks. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration

Atıl Özus – Executive Vice President – CFO (age 46)

Atıl Özus joined Akbank in November 2000 as Vice President of Financial Control and Risk Management, and later became Senior Vice President. In December 2007, he was appointed as Executive Vice President (CFO) in charge of Financial Coordination. Before joining Akbank, Atıl Özus served as an Audit Manager at Ernst & Young. A graduate of Boğaziçi University, Department of Business Administration, Atıl Özus is a Board Member at AKAsset Management, AKLease and Akbank AG.

**Kerim Rota – Executive Vice President – Treasury (age 52)**

Kerim Rota joined Akbank in November 2010 as Executive Vice President in charge of Treasury. Mr. Rota is also the Chairman of AKAsset Management, Vice Chairman of Akbank AG and a Member on the Board of Directors of Akbank (Dubai) Limited and AKLease. Before joining Akbank, Kerim Rota served as Executive Vice President at various different private sector banks. Kerim Rota is a graduate of Gazi University, Faculty of Engineering. Mr. Rota also holds a Master's degree in Business Administration from Bilgi University.

**Kaan Gür - Executive Vice President - Commercial Banking (age 52)**

Kaan Gür joined Akbank as Executive Vice President in charge of Commercial and SME Banking in January 2011. Mr. Gür is also the Chairman of AKLease and Vice Chairman of AkInvestment. Prior to joining Akbank, he held various senior management positions at different private sector banks. A graduate of Gazi University, Department of Banking and Insurance.

**Bülent Oğuz - Executive Vice President - SME Banking (age 43)**

Bülent Oğuz joined Akbank as a Manager on March 2003. He served as Vice President and Senior Vice President of SME and Consumer Banking respectively. Mr. Oğuz was appointed as Executive Vice President in charge of SME Banking in July 2013. Before joining Akbank, Mr. Oğuz held various managerial positions at Corporate Banking and Loans divisions at different private sector banks. Mr. Oğuz is a graduate of Middle East Technical University, Political Science and Public Administration and holds an Executive MBA degree from Sabancı University.

**Burcu Civelek Yüce - Executive Vice President - Human Resources and Strategy (age 38)**

Burcu Civelek Yüce joined Akbank in 2006 and most recently served as Senior Vice President of Strategic Management. She was appointed Executive Vice President in charge of Human Resources and Strategy in May 2014. Her areas of responsibility cover human resources, strategic management and branch channel development. Prior to joining Akbank, she worked at international consulting and technology companies. Burcu Civelek Yüce has a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University both first in rank. She also participated in courses in Harvard Business School and Koç University.

**Ege Gültekin - Executive Vice President - Credit Monitoring and Follow Up (age 47)**

Ege Gültekin joined Akbank in February 2015 as Executive Vice President in charge of Credit Monitoring and Follow Up of Consumer, Corporate, Commercial and SME Loans. Before joining Akbank, Ege Gültekin held various senior management positions at different banks and asset management companies. Ege Gültekin is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences and holds a Master's degree from Johns Hopkins University, Faculty of Engineering, Department of Information and Telecommunication Systems.

**Arif İsfendiyaroğlu - Executive Vice President - Consumer Banking (age 48)**

Arif İsfendiyaroğlu joined Akbank in March 2015 as Executive Vice President in charge of Consumer Banking and Payment Systems. Prior to joining Akbank, he held various senior management positions at different private sector banks. A graduate of Istanbul Technical University, Mechanical Engineering Faculty, Department of Textile Engineering, Arif İsfendiyaroğlu also holds a Master's degree in Business Administration from Bilgi University.

**Levent Çelebioğlu - Executive Vice President - Corporate, Investment and Private Banking (age 54)**

Levent Çelebioğlu joined Akbank in May 2015 as Executive Vice President in charge of Corporate, Investment and Private Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. Levent Çelebioğlu is also the Chairman of Akbank AG, Akbank (Dubai) Ltd and AkInvestment. Levent Çelebioğlu is a graduate of 9 Eylül University, Faculty of Economics, Monetary Economics & Banking Department.

Tolga Ulutaş – Executive Vice President – Direct Banking (age 43)

Tolga Ulutaş joined Akbank in September 2016 as Executive Vice President in charge of Direct Banking. Before joining Akbank, Tolga Ulutaş held various senior management positions at different companies. Tolga Ulutaş is a graduate of Istanbul Technical University, Department of Civil Engineering and holds MBA degree from San Diego State University.

İlker Altıntaş - Executive Vice President - Technology and Operations (age 46)

İlker Altıntaş joined Akbank in March 2012 as Vice President of IT Enterprise Architecture and later became Senior Vice President of the IT Architecture and Core Banking Department. In January 2017, he was appointed as Executive Vice President in charge of Technology and Operations. Before joining Akbank, İlker Altıntaş completed two banking transformation projects during his career as an executive of technology companies, involved in the development of finance/banking products and led engineering processes. İlker Altıntaş is a graduate of Middle East Technical University, Department of Computer Engineering and holds a PhD degree of software engineering from the same university. İlker Altıntaş has published many technical articles for international conferences, journals and is a committee member for various national and international conferences.

The address of the Senior Management is Akbank T.A.Ş., Sabancı Center 4, Levent 34330, Istanbul, Turkey.

- h. The following is inserted after the last sentence of the second paragraph of the section entitled "***Other Business Units – Information Technologies***"

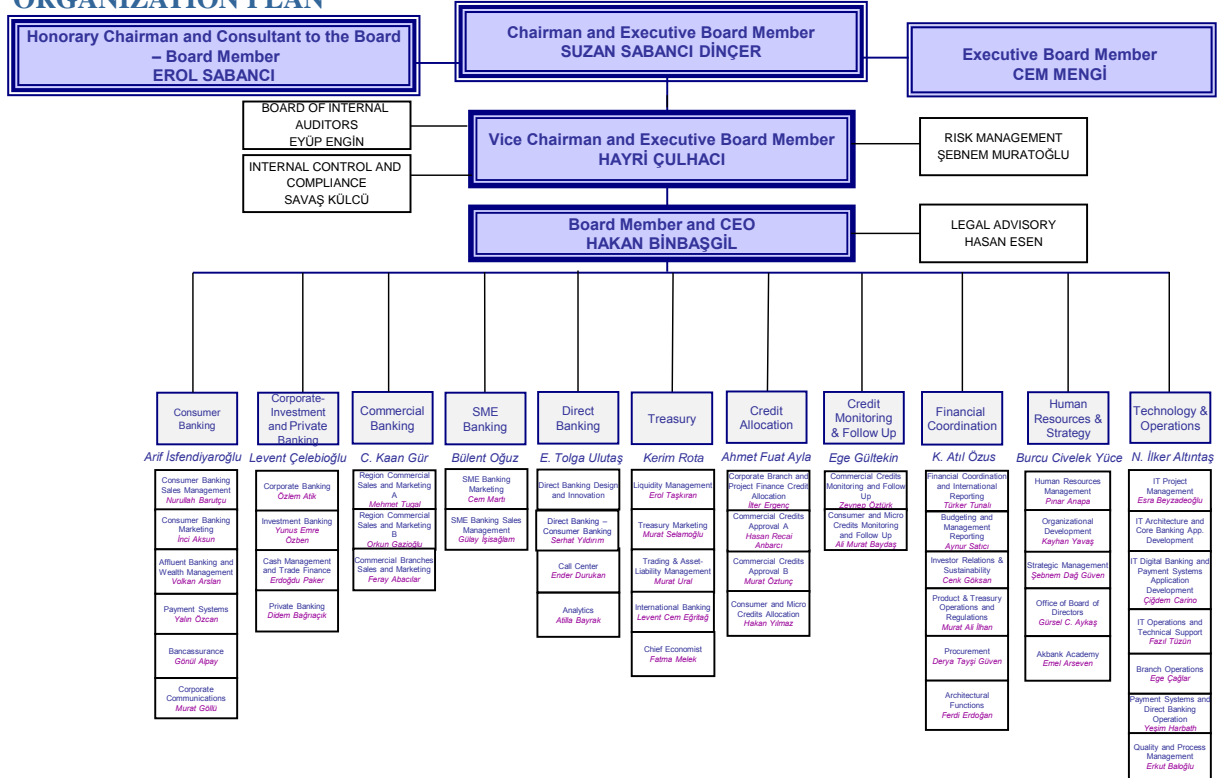
In its public disclosure dated 15 December 2016, Akbank announced that it was subject to cyber-attacks directed to its computer systems in relation to money transfers and that no damage, loss or security issue was suffered by its customers.

- i. The final bullet points in the section entitled "***Organisational Structure***" is hereby deleted in its entirety and replaced with the following:
- on 28 June 2016, the Private Banking functions within the Consumer and Private Banking Business Unit became part of the Corporate and Investment Banking Business Unit; and the Corporate and Investment Banking Business Unit was renamed the Corporate, Investment and Private Banking Business Unit. Consumer and Private Banking Business Unit was renamed the Consumer Banking Business Unit.

- j. The structure chart in the section entitled "**Organisational Structure**" is hereby deleted in its entirety and replaced with the following structure chart:

## AKBANK T.A.Ş.

### ORGANIZATION PLAN



- i. The section entitled "Human Resources" is hereby deleted in its entirety and replaced with the following:

As at 31 December 2016, Akbank had 13,843 employees, 9,747 of whom were based in regional directorates and branches. The following table sets out the number of domestic branch employees (excluding security officers) as at 15 February 2017 and 31 December 2016, 2015 and 2014, respectively.

	<i>Number of Employees</i>
31 December 2016.....	8,810
31 December 2015.....	8,996
31 December 2014.....	9,415

- j. The final sentence of the second paragraph of the section entitled "***The Board of Internal Audit***" is hereby deleted in its entirety and replaced with the following:

The BIA personnel comprises one Chief Audit Executive, four deputy heads and 113 auditors.

- k. The section entitled "***Retail Segment (including Micro Segment Customers)***." including the heading is hereby deleted in its entirety and replaced with the following:

**Retail Segment (including SME (Micro) Segment Customers).**

Identification and remediation of problem loans including NPLs are managed by the Retail Monitoring and Legal Follow Up Group.

The Retail and SME Credit Monitoring and Legal Follow up Division is composed of two units:

- Monitoring and Restructuring Group, which monitors, makes collection calls and restructures retail clients starting with the early collections stage up to legal follow up;
- Retail and SME Segment Credits Legal Follow up Group which is in charge of following up the legal agencies performance on collection of customers in legal follow-up. The Group is responsible for non-performing loans and negotiates with the customer regarding repayment of the loan including possible restructuring of the debt, or, if necessary, liaises with the in-house or contracted lawyers to have the collateral liquidated or to take other legal action.

There is one common monitoring system which is used by the Retail Monitoring Group as noted above.

All clients, regardless of the segment, are subject to the same risk controls. Because of the number of clients in the Retail Banking segment, the process is carried out at Akbank's head office by the Retail Credits Monitoring and Collection Team. A repayment plan is negotiated with the customer and set up if necessary. If this process is not successful in clearing the arrears, legal action is taken and the matter is referred to the Retail Non-Performing Loans Follow-Up Division.

- l. The third paragraph of the section entitled "***Non-Retail Segment - Credit Monitoring Groups***" is hereby deleted in its entirety and replaced with the following:

Collecting and examining up-to-date financial and non-financial data of projects periodically comparing the projected cash flows and the real performance of the projects, testing the covenants in the loan documentation and paying on-site visits are the main responsibilities of the Project Finance Loans Monitoring Group.

- m. The final sentence of the fifth paragraph of the section entitled "***Non-Retail Segment - Credit Monitoring Groups***" is hereby deleted in its entirety and replaced with the following:

In addition to the automatic identification of problem loans, indicators that cannot be identified by the monitoring system, such as audit reports and market intelligence, are also reviewed periodically by members of the Credit Monitoring Group, and loans are manually put on credit watch if necessary.

- n. The final sentence of the third paragraph of the section entitled "***Credit Risk***" is hereby deleted in its entirety.
- o. The second sentence of the fourth paragraph of the section entitled "***Credit Risk***" is hereby deleted in its entirety and replaced with the following:



The models include corporate, commercial, and small business rating models, consumer loans, overdraft and credit cards applications models, and behavioural models for Retail Banking, Corporate, Commercial and SME portfolios.

- p. The first sentence of the sixth paragraph of the section entitled "**Credit Risk**" is hereby deleted in its entirety and replaced with the following:

Credit risk measures are based on long run averages (minimum five years) of Akbank's own default and collection history.

- q. The fifth, sixth and seventh paragraphs of the section entitled "**Retail Banking - Loans to Individuals**" are hereby deleted in their entirety and replaced with the following:

All review applications and those that are over the branch authority limits are manually evaluated by the Consumer Credit Approval Group.

As a legal requirement, Akbank imposes a credit limit of 75% of the value of the asset for mortgages. Akbank imposes no limit on credit value, but the average size of Akbank's mortgages as at 31 December 2016 was TL150,000. Maturity is generally between five to 10 years.

As a legal requirement, if the value of a vehicle is up to TL50,000 Akbank imposes a credit limit of 70% of the value of the vehicle for car loans. If the value of the vehicle is more than TL50,000, Akbank imposes a credit limit of 70% of the value of the vehicle on the first TL50,000 and 50% on the amounts in excess of TL50,000. For both mortgages and new car loans, Akbank requests full security over the relevant asset being financed. For second-hand cars Akbank can grant an unsecured loan.

- r. The last sentence of the section entitled "**Corporate, Commercial, SME and Private Banking - SME Banking**" is hereby deleted in its entirety.
- s. The section entitled "**SME Banking Business Unit**" is hereby deleted in its entirety and replaced with the following:

The SME Banking Business Unit provides services to businesses with a turnover of up to TL25 million. There are two sub-segments within the SME Banking Business Unit:

- Micro-Customers. Micro-customers are classified as those with an annual revenue of up to TL1 million.
- Small Business Customers. Small business customers are classified as those with an annual revenue of greater than TL1 million and less than or equal to TL25 million.

As of 31 December 2016, Akbank had approximately 515,000 active customers and a total of approximately 1360 relationship managers in 758 branches for SME Banking.

As the Akbank SME Banking works with a wide spectrum of customers with different financial needs, Akbank developed a wide range of tailor-made products and services focusing on specific needs of its customers.

Akbank executes initiatives for artisans, which account for a significant share of SMEs, under the "Craftsmen Fraternity" concept. Believing that craftsmanship is not just a profession but also a distinctive "culture", Akbank builds campaigns for this segment around the values of "understanding and solidarity," which also constitute the essence of craftsmanship. Launched with the "Pay When You Can Loan," which offers flexible repayment terms for the credit craftsmen need, the offerings in

this segment continued to expand with "Acess SME," "Pay as You Wish, Craftsmen," Member Merchant campaigns, "First Sale Savings Account," and "Cost Saving Tariffs."

Akbank participated in different international and domestic credit programmes, the goal of which was to increase availability of funding to micro, small and medium sized enterprises. Akbank SME Banking Unit has been offering enhanced funding activities and credit programmes to SMEs through co-operation with domestic and multilateral institutions, such as KOSGEB (Small and Medium-Sized Industry Development Organisation), KGF (Credit Guarantee Fund) EIB, IFC and EBRD.

- t. The section entitled "**Retail Banking - Direct Banking**" is hereby deleted in its entirety and replaced with the following:

As the variety of transactions that can be performed through direct banking channels expands, customers are increasingly using direct banking channels to execute their banking transactions. According to a December 2016 report of the Banks Association of Turkey, more than 19 million retail banking customers in Turkey actively use internet banking. Active users of mobile banking number more than 18 million in Turkey. The number of customers using online banking increases every day along with rising internet and smartphone penetration. Direct Banking channels are very popular particularly for viewing account information and balances, money transfers, and payment transactions.

- u. The section entitled "**Retail Banking Report Segment - Direct Banking Business Unit**" is hereby deleted in its entirety and replaced with the following:

The Direct Banking Business Unit was formed in December 2012 when the Alternative Delivery Channels Division of the Retail Banking Business Unit was reorganised as a separate unit and renamed "Akbank Direkt Banking".

In addition to traditional branches, Akbank provides services to consumers through various alternative distribution channels and markets under the "Akbank Direkt" label. Direct channels are currently an important focus for Akbank. Under its new organisation structure, all alternative delivery channels and the CRM Division are managed by the Direct Banking Unit. Akbank's direct channels include internet and mobile services, Call Centre, ATMs, in-branch kiosks and social media. Akbank launched "Akbank Direkt" in June 2012 as an online direct banking initiative. In June 2012, Akbank branded its internet and mobile banking services as Akbank Direkt. The purpose of this initiative is to increase the efficiency of branches as well as to generate revenue through new and current delivery channels. Akbank is enhancing the range of available delivery channels and alternative products in order to move more banking transactions away from traditional branches. Currently, the total number of active Akbank Direkt customers is almost 3.5 million with 700 million transactions per quarter. Akbank has almost 3 million customers using mobile banking.

The call center has become one of the key support channels of Akbank. In addition to using product centric units like Equity Team, Personal Loans and Mortgage Team, Akbank also continues its development by utilising more complicated service structures like The Affluent Remote Center, Pos Support Remote Center, Expat Banking Remote Center and The SME Remote Center.

As at 31 December 2016, Akbank had 4,201 ATMs. Akbank had a 8.7% market share of the cash-in/cash-out machine network in Turkey (*Source: The Banks Association of Turkey*). The total number of monthly active telephone banking customers was 1.1 million as at 31 December 2016, with 38 million calls received between 1 January 2016 and 31 December 2016. Akbank's internet site received an average of 6.8 million visitors per month in the year ended 31 December 2016, with 14.1 million visits per month overall.

- v. The first sentence of the section entitled "**Corporate, Commercial, SME and Private Banking Reporting Segment - Commercial Banking Business Unit - Cash Management and Trade Finance**" is hereby deleted in its entirety and replaced with the following:

Although organised as a division under the Corporate and Investment Banking Business Unit, Cash Management and Trade Finance offers solutions for collection and payment transactions of Corporate, Commercial and SME clients with a broad array of products and services.

- w. The section entitled "**Business - Overview**" is hereby deleted in its entirety and replaced with the following:

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local privately-owned commercial bank in Adana on 30 January 1948, it was originally established with the core objective of providing funding for local cotton growers. Akbank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. Akbank operates under the Turkish Commercial Code. Akbank currently carries out its activities from its head office and 23 regional offices throughout Turkey. Akbank's head office is currently located at Sabancı Center 4, Levent 34330, Istanbul, Turkey. Akbank's telephone number is +90 212 385 55 55.

Akbank's core business is banking activities, consisting of corporate – investment banking, commercial banking, SME banking, consumer banking, payment systems and treasury transactions, and international banking services. In addition to traditional banking activities, the Bank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

Akbank conducts overseas operations through subsidiaries in Germany (Akbank AG), in Dubai (Akbank Dubai Limited) as well as a branch in Malta. On 27 December 2016, Akbank disclosed that it had decided to liquidate its subsidiary in Dubai (Akbank Dubai Limited) and to open a representative office in place thereof. The Bank's other subsidiaries, AkInvestment, AKAsset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

With a strong and extensive domestic distribution network of 840 branches and around 14,000 employees, Akbank operates from its Head Office in Istanbul and 23 regional directorates across Turkey. In addition to providing services through branches, the Bank's traditional delivery channel, Akbank also serves more than 15 million customers through the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Centre, around 4,200 ATMs and more than 420,000 POS terminals as well as other high-tech channels.

Since its establishment, a majority of the shares in Akbank have been owned or controlled by the Sabancı family and the Sabancı Group, which is one of the two largest financial and industrial corporate groups in Turkey. The Sabancı Group currently holds a 48.9% stake in Akbank's issued share capital. The balance of Akbank's share capital, 51.1%, is listed on the Istanbul Stock Exchange. Akbank's Level 1 ADRs are traded on the over the counter market in the United States. Akbank's market capitalisation stood at U.S.\$8.8 billion as of 31 December 2016.

For the period ended 31 December 2016, Akbank's net profits were TL4.8 billion, implying a 50.3% increase compared to the same period last year. For the year ended 31 December 2015, Akbank's net profits were TL3.2 billion, a 4.4% decrease compared to the year ended 31 December 2014. For the year ended 31 December 2014, Akbank's net profits were TL3.4 billion.

As of 31 December 2016, Akbank's total assets stood at TL294.5 billion, an increase of 16.6% from TL252.5 billion as of 31 December 2015. As at 31 December 2015, Akbank's total assets stood at TL252.5 billion, an increase of 15.4% from TL218.7 billion as at 31 December 2014. As at 31 December 2014, Akbank's total assets stood at TL218.7 billion.

As of 31 December 2016, Akbank's total shareholders' equity (excluding non-controlling interests) stood at TL32.5 billion, an increase of 16.0% from TL28.0 billion as of 31 December 2015. As at 31 December 2015, Akbank's total shareholders' equity (excluding non-controlling interests) stood at TL28.0 billion, an increase of 7.2% from TL26.1 billion as at 31 December 2014. As at 31 December 2014, Akbank's total shareholders' equity (excluding non-controlling interests) stood at TL26.1 billion.

- x. The section entitled "**Competitive Strengths**" is hereby deleted in its entirety and replaced with the following:

Akbank believes that it has the following competitive strengths:

*Strong and Well Known Turkish Franchise, Trusted Brand, Diversified Portfolio of Banking Assets.* Akbank believes that it has established itself as one of the most widely-recognised and trusted private banks in Turkey as a result of its more than 69-year operating history through often turbulent Turkish financial markets, its long-standing focus on prudent risk management and its record of financial stability. Akbank has focused virtually all of its business in Turkey, approximately all of its assets in Turkey on the basis that this is the market it knows best and where it holds a strong competitive position. Akbank is Turkey's third largest private bank in terms of asset size as at 31 December 2016 (*Source: The Banks Association of Turkey*). It offers a wide range of consumer and commercial products and has well-established relationships with its client base. Akbank has a wide distribution network with 840 domestic branches as at 31 December 2016 and over 15 million customers, as well as a large network of alternative delivery channels, which include Akbank Direkt, Akbank Direkt Mobile, and the Call Centre, over 420,000 point-of-sale terminals and approximately 4,200 ATMs, as of 31 December 2016. Akbank believes that its strong franchise and position in Consumer, Corporate, Commercial and SME banking enables it to benefit from economies of scale and provide a strong platform for sustained profitability in the Turkish banking market. Akbank also has a stable controlling shareholder, which allows an agile decision making process in case of critical decisions, continued stability in a difficult global environment and gives the ability to implement Akbank's vision.

*Strong Capital Structure; Conservative Liquidity and Funding Policy.* As at 31 December 2016, Akbank's strong capital structure was demonstrated by its capital adequacy ratio of 14.2% (under BRSA), Tier I ratio of 13.0%, leverage ratio (calculated as total assets divided by total equity) of 9.1x and shareholders' equity of TL32.5 billion. Supporting its capital structure, Akbank maintains strong liquidity, with the highest liquidity coverage ratio of 129.1%<sup>2</sup> among its private peers at 31 December 2016. Akbank's funding strategy includes maintaining a substantial percentage of its liabilities in the form of customer deposits. Although customer deposits in Turkey are typically short-term (with durations of less than 90 days), a majority of Akbank's deposits have been reinvested. Akbank's deposits grew at a rate of 16.4% from TL149.5 billion as of 31 December 2015 to TL174.0 billion as at 31 December 2016.

Akbank has been a market leader among Turkish financial institutions in domestic and international capital markets, with the first direct issuance of a Eurobond in 2010, the first TL-denominated Eurobond in 2013 and the first mortgage-covered bond out of Turkey in 2015. Its total outstanding domestic bonds amounted to TL3.4 billion and its outstanding U.S.\$ denominated senior unsecured

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<sup>2</sup> Details of LCR can be found on the 41st page of consolidated footnotes: [http://www.akbank.com/en-us/Documents/Akbank%20ENG%20KONSOL%C4%B0DE%20\(31-12-2016\).pdf](http://www.akbank.com/en-us/Documents/Akbank%20ENG%20KONSOL%C4%B0DE%20(31-12-2016).pdf)

issuance amounted to approximately U.S.\$ 2.8 billion as at 31 December 2016. The bank's total outstanding domestic bonds amounted to TL3.4 billion and its outstanding U.S.\$ denominated senior unsecured issuance amounted to approximately U.S.\$3.1 billion as at 31 December 2015.

In an environment where banks' financial strength is an indicator of growth prospects, Akbank's strong capital ratio, low loans to deposits ratio, low leverage and effective risk management policy are indicative of its financial strength and support Akbank's profitable growth.

*Prudent and Effective Risk Management; High Asset Quality.* Akbank's management believes that it has instilled a prudent and effective risk management culture at all levels of Akbank, beginning with careful customer selection to support a quality asset base and continuing through establishing conservative provisioning policies. Under the Sabancı family and group ownership, Akbank successfully weathered the 2000-2001 banking crisis in Turkey with a low NPL ratio and was able to strengthen its position in the market, making strong market share gains after the crisis. Akbank was similarly able to weather the effects of the 2008 global crisis. This has largely been due to the prudent approach of Akbank's Board and management prior to the crises and decisive action taken in controlling risk. In anticipation of increased credit risks, Akbank has implemented and enhanced its risk management systems to ensure a consistently high level of asset quality. Akbank had always believed that banking involves balancing risk and matching assets to liabilities. The Board and management have continuously stressed the importance of a solid balance sheet and a strong financial position. Akbank's 13.0% Tier I capital ratio and its 9.1x leverage ratio are the legacy of this approach. Through effective risk management practices, Akbank's NPL ratio was 2.3% as at 31 December 2016 vs. 3.2% of the sector average. Akbank also has a separate risk division below Board level so that all risks are monitored by its Executive Risk Committee which reviews all aspects of Akbank's business, including Akbank's risks. In addition to the Audit Committee, which assists the Board in reviewing Akbank, Akbank also has a Corporate Governance Committee overlooking such risks.

- y. The section entitled "*Subsidiaries and Affiliated Companies*" is hereby deleted in its entirety and replaced with the following:

The following table sets out Akbank's ownership interest in its subsidiaries and affiliates and the carrying value of those interests as at 31 December 2016:

	<i>% of share</i>	<i>Carrying value in TL thousands</i>	<i>Business</i>
Ak Portföy Yönetimi A.Ş. (Ak Asset Management) .....	100	4,593	Portfolio Management
Ak Finansal Kiralama A.Ş. (AKLease) .....	99.99	281,064	Leasing
Ak Yatırım Menkul Değerler A.Ş. (Ak Investment) .....	100	61,659	Brokerage
Akbank (Dubai) Limited.....	100	2,243	Banking
Akbank AG.....	100	1,176,382	Banking

Akbank conducts overseas operations through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited) along with a branch in Malta.

**Akbank AG:** A wholly-owned subsidiary of Akbank, Akbank AG had another successful year in 2016 in terms of growth, diversification of business areas as well as profitability. The Bank posted 15% growth in assets over the previous year, with total assets climbing to EUR 5.5 billion and shareholder's equity reached to EUR 580 million as of December 2016. In 2016, Akbank AG's contribution to the national economy in the form of loans exceeded EUR 4.7 billion, equal to over 10% of the loans extended from Germany to Turkish firms.

As of 31 December 2016, the Bank's capital adequacy ratio according to Basel III criteria stood at 12.6% with a liquidity coverage ratio of 168%.

Boasting the largest balance sheet among all European banks with Turkish capital, Akbank AG has a 6.9% market share in terms of consolidated assets and a 3% market share in consolidated profits in 2016.

Akbank AG's major products and services include various credit instruments, trade finance, factoring, money transfers and deposit services. Target clientele for lending activities primarily consist of multinationals based in Turkey as well as in the EU, Turkey's main trading partner. Standing out with its high asset quality since the bank's incorporation, Akbank AG remained committed to maintaining asset quality throughout 2016 and preserved its NPL ratio at nil. The Bank recorded a NPL ratio of 0% in the reporting year.

Akbank AG has an extensive portfolio of funding sources, including retail, corporate and German public sector deposits as well as funding through the European Central Bank's refinancing program (MRO and LTRO).

Also active in retail banking, Akbank AG serves more than 15.000 retail deposit customers in Germany with a direct banking model. All these sources of funding help Akbank AG to diversify its funding base.

**Aklease:** Established in 1988, Aklease provides financial leasing support to corporate and commercial segment customers who are keen to undertake investments, expand, enter new markets and enhance their capacity. Aklease helps them finance investments in new machinery and equipment purchases or new investments, in line with the concept of Akbank One-Stop Corporate and Investment Banking.

A 99.99%-owned subsidiary of Akbank, Aklease continued to offer ongoing support to the national economy in 2016 with its strong financial and partnership structure, robust shareholders' equity, 12 branch locations, vast funding network, and most importantly, a dynamic workforce highly specialised in the field.

**AkInvestment:** AkInvestment, founded in 1996 to engage in capital markets activities in accordance with the provisions of the Capital Market Law and other applicable legislation, is a wholly-owned subsidiary of Akbank. AkInvestment was authorised as an "Intermediary Company with Broad Authority" by the Capital Markets Board as of 15 October 2015 following initiatives undertaken to comply with new communiqués.

With its 193 specialised and well-experienced employees, and comprehensive research reports and customer-oriented service approach, AkInvestment serves both individual and corporate investors. Delivering a vast range of international and domestic capital markets products to individual and corporate investors, AkInvestment has 10 branches in six major Turkish cities.

AkInvestment branches are committed to offering capital markets products and services tailored for customers' needs and expectations, and in line with market conditions. The branches establish long-running relations that generate added value for the customers.

**AKAsset Management:** Established in 2000 to provide asset management services in capital markets to institutional and individual investors, AKAsset Management is a wholly-owned subsidiary of Akbank. AKAsset Management conducts operations in three core business lines: pension fund management, discretionary portfolio management and mutual funds. AKAsset Management is the market leader in pension fund management and the sector leader in total assets managed outside liquid investment funds.

- z. The last sentence of the first paragraph of the section entitled "**Competition**" is hereby deleted in its entirety and replaced by the following:

Lastly, the acquisition of 99.81% of Finansbank A.Ş.'s shares by Qatar National Bank was approved by the BRSA and the Turkish Competition Board on 7 April 2016 and 3 May 2016, respectively. It later changed its business name to QNB Finansbank A.Ş. on 5 May 2016. The BRSA granted the establishment license to Bank of China which is in the process of obtaining an operating license to commence banking operations in Turkey. Türkiye Halk Bankası A.Ş. (state-owned bank) (51.11%) and Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (largest state-owned bank) (100%) were transferred to the sovereign wealth fund.

- aa. The last two paragraphs of the section entitled "**Competition**" are hereby deleted and replaced with the following:

According to the latest announced data of The Banks Association of Turkey, as of 30 September 2016 state banks represent approximately 34% of the sector's assets, the four largest private banks approximately 44%, and the remaining banks including the medium sized banks and the smallest banks have approximately 22% of the sectors assets.

As of 31 December 2016, Akbank had a 9.0% market share in total loans (9.2% in TL loans and 8.8% in foreign currency loans) while its market share in total deposits was 10.3% (9.7% in TL deposits and 11.1% in foreign currency deposits) (*Source: Weekly BRSA statistics and based on the un-consolidated financials*).

- bb. The final sentence in the third paragraph and the accompanying table directly below of the section entitled "**Distribution Network**" are hereby deleted and replaced with the following:

The following table sets out Akbank's principal distribution outlets as at 31 December 2016:

	<i>Total Number</i>
Branches.....	840
Regional Offices .....	22
Foreign Representative and Branches .....	1
ATMs .....	~4,200
POS Terminals .....	~420,000

- cc. The first bullet point of the section entitled "**Corporate Governance - Credit Committee**" is hereby deleted and replaced with the following:

- Suzan Sabancı Dinçer, Chairman (Chairman and Executive Board Member)

- dd. The first bullet points of the section entitled "Corporate Governance - Executive Risk Committee" is hereby deleted and replaced with the following:

- Hayri Çulhacı, Chairman (Vice Chairman and Executive Board Member)

- ee. The section entitled "**Ownership and the Sabancı Group - Share Capital of Akbank**" is hereby deleted and replaced with the following:

As at 31 December 2016, the issued and paid-in share capital of Akbank was TL4,000,000,000 consisting of 400,000,000,000 shares each with a nominal value of TL0.01. Consolidated total shareholders' equity as at 31 December 2016 amounted to TL32,492,267,000. At the Annual General Assembly of Akbank held on 30 March 2012, the registered capital ceiling of Akbank was increased to TL8,000,000,000 from TL5,000,000,000, consisting of 800,000,000,000 shares, each with a nominal value of TL0.01. The registered capital ceiling permit granted by the CMB in respect of this

new ceiling will be valid for five years. The Board of Directors are entitled to increase the capital within the registered capital ceiling limit and issue new shares without requiring any affirmative resolution of the general assembly of Akbank. However, in order to increase the capital after 30 March 2017, even if the registered capital ceiling has not been reached by that time, the Board of Directors must obtain a new permit from the CMB either for the current permitted ceiling (if not reached by then) or for a new capital ceiling.

Pursuant to the Banking Law, shares are issued in registered form.

In April 1998, 4.03% of the outstanding share capital of Akbank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and ADRs. As at 31 December 2016, approximately 51.1% of the shares are publicly traded, including the ADRs. As at 31 December 2016, Akbank's market capitalisation was U.S.\$8.8 billion.

ff. All references to "31 March 2016" in the section entitled "***Ownership and the Sabancı Group - Controlling Shareholders***" is hereby deleted and replaced with the "31 December 2016".

gg. The following is inserted before the first paragraph of the section entitled "***Recent Developments***":

For 2017, management expects that net interest margin after swap costs is expected to remain stable, with continued growth in fees and commissions and controlled cost growth.

Management expects Akbank's NPL ratio to increase somewhat in 2017 assuming no further deterioration in the market. In the event of deterioration of market conditions, the Bank has TL 2 billion in general provisions available (in addition to the TL 200 million general ("free") provisions that has been set aside for any changes in the economy and market conditions. In addition, management estimates that Akbank has the potential to reverse up to TL 1.8 billion of general provisions as of 31 December 2016, which is calculated based on the new general provisioning regulations that were published in 2016 by the BRSA) to compensate for any higher than expected NPL inflow.

hh. The following is inserted after the last sentence of the fifth paragraph of the section entitled "***Recent Developments***":

On 26 September 2016, Moody's announced the conclusion of its review for downgrade of 17 Turkish financial institutions by downgrading the long-term debt and deposit ratings of 14 entities, including Akbank, and confirming the ratings of three financial institutions. Moody's action followed its downgrade of the Turkish government's debt rating to "Ba1" (with a stable outlook) from "Baa3" (under review for downgrade) on 23 September 2016.

ii. The following sentence is inserted as the second sentence to the sixth paragraph of the section entitled "***Recent Developments***":

The state of emergency was subsequently extended twice by the GNA and the current extension on 19 January 2017 is set to expire on 19 April 2017.

jj. The following is inserted after the last sentence of the seventh paragraph of the section entitled "***Recent Developments***":

On 27 January 2017, Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the rating of Moody's and Standard & Poor's and such downgrade could have a negative impact on the capital adequacy ratio of Turkish banks. Following the revision of certain of Turkey's



ratings, on 2 February 2017, Fitch revised the ratings of 18 Turkish financial institutions including Akbank.

Further on 27 January 2017, Standard & Poor's revised the outlook of Turkey from "stable" to "negative." Following such outlook change, on 31 January 2017, Standard & Poor's revised the outlook of the long-term counterparty credit ratings of five Turkish financial institutions excluding Akbank. Akbank has not been rated by Standard & Poor's since 2008.

- kk. The section entitled "***Corporate, Commercial, SME and Private Banking Reporting Segment - Project Finance and Syndicated Loans***" is hereby deleted and replaced with the following:

*Investment Banking and Project Finance:* As part of a long-term strategy, Akbank has been increasing its focus on investment banking and project finance activities, as well as infrastructure, real estate, leveraged and structured finance markets in Turkey. Increases in domestic and foreign investment through privatisation and acquisition deals have fuelled the growth in these specialised loan markets and the syndicated loan market. Akbank plans to increase its volume of specialised loan markets and syndicated loan markets products (collectively, "**Investment Banking, Project Finance and Syndicated Loans**") as these products are typically "high value-added" products and offer cross-selling opportunities. Akbank extends these loans to a variety of sectors, including infrastructure and transportation, construction, telecommunications, energy and tourism. In addition, Corporate, Investment and Private Banking monitors privatisation programmes closely and provides financing for large scale projects such as direct asset sales, transfers of companies' land use and development rights, share transfers, transfer of operating rights and hydroelectric power generation projects.

Akbank considers that its risk exposure arising from this loan portfolio is well-managed as the risks are being carefully measured, managed and backed up by strong collateral and control structures.

In addition to commercially oriented Project Finance and Syndicated Loans, Akbank has the ability to extend long-term loans that are insured by international export credit agencies.

- ll. The fifth, sixth and seventh paragraphs of the section entitled "***Corporate, Commercial, SME and Private Banking Reporting Segment***" are hereby deleted in their entirety and replaced by the following:

The 20 largest customers accounted for approximately 18.9% of Akbank's total loan portfolio as at 31 December 2016 and 17.9% at 31 December 2015 (as compared to 16.7% as at 31 December 2014).

- mm. The section entitled "Customer Relationship Management Division" is hereby deleted in its entirety and replaced with the following:

*Analytic Division.* Since 1 October 2013, the CRM Division was a part of the Direct Banking Unit, while previously it was a part of a separate Strategy Unit. With a view to design a strategy aimed at creating competitive advantage in the market, the CRM team comprises seven groups in charge of setting up a comprehensive structure towards designing, planning, executing and monitoring customer relationship management systems. On 8 December 2016, the CRM Division was renamed as the "Analytic Division", and a separate division titled "Direct Banking Designing and Innovation Division" was formed.

- nn. The section entitled "***Credit Monitoring and Follow Up Unit - Internal Control***" is hereby deleted in its entirety and replaced with the following:

Internal control is carried out by the Internal Control and Compliance Division ("**ICCD**") which is independent of all business and management units and reports directly to the Audit Committee. The ICCD is intended to ensure that Akbank is able to achieve its goals and long-term profitability targets in a safe, prudent and controllable manner by ensuring that business operations are efficient and effective, recorded transactions are accurate, all financial and management reporting is reliable and complete and Akbank complies with applicable laws, regulations, internal policies, and procedures. The ICCD carries out its activities from its headquarters in İstanbul and Akbank's 22 regional offices throughout Turkey.

The ICCD consists of five teams, namely Branch Controls, Head Office and Process Controls, Information Systems Controls, Compliance Controls and Regulatory Affairs. ICCD personnel comprises one Chairman, four Vice Chairmen, twelve managers, and 84 controllers.

Branch Controls comprises two different control approaches/teams, which are on-site controls and off-site (remote) controls. The on-site controls are the main controls, which are carried out in relatively large or centrally located branches, and control and evaluate all the core banking functions/processes of the branches (i.e. deposits, consumer and corporate loans, bank and credit cards, accounting, alternative distribution channels, treasury and derivative products and payment systems). On site-control team is composed of controllers located in 22 regional offices of the bank and covers all of Akbank's branches.

In addition to routine branch controls, reconciliation of cash held by both branches and cash operation centres are executed by on-site control teams. Off-site controls are used for the relatively smaller and newly opened branches and cover the documents and customer forms used for deposits, payment systems, consumer loans, bank and credit cards, investment/derivative transactions and alternative distribution channel applications being scanned into Akbank's core systems. Aside from on-site and off-site controls, a specialised team in the Control Environment Assessment group also carries out centralised spot controls on the basis of the data taken from different operating areas within Akbank's database with the aim of mitigating operational, credit and fraud risks throughout Akbank.

Head office and process controls consist of the establishment and execution of an effective control environment for the processes of Akbank, risk recognition and assessment, control activities, monitoring and remediation. Head office and process controllers are located at head office divisions and control the following Bank processes: deposit process, consumer/corporate credit process, accounting process, , bank and credit cards process, merchant process, financial reporting process and treasury/securities and fund management process. In addition to those processes, new work flows to be established in Akbank are also evaluated by ICCD controllers.

The Information Systems Control team carries out periodic controls on the information systems used by Akbank. These periodic controls are divided into three main categories: alternative distribution channels process controls, general IT controls and information security controls. Alternative distribution channels process controls including reviewing online banking, Akbank's websites and social media accounts, ATMs and telephone banking. General IT controls include examining critical changes on the mainframe environment and checking the security settings of Windows servers, Unix servers, databases, routers and switches, ATMs and kiosks. User access rights and application/database logs are also periodically reviewed. Information security controls consist of monitoring email and internet traffic as well as storage device usage for data leakage as well as scanning computers for unauthorised software. Detailed reviews of information systems or

IT-related processes are performed in order to identify security weaknesses and assess compliance with laws and regulations.

Akbank's Regulatory Affairs team became a part of ICCD in May 2014 before which it had been a separate division. The Regulatory Affairs team facilitates communication with regulators and provides information on regulatory issues.

Currently, the Compliance Controls team comprises a compliance officer in Akbank T.A.S., Akbank's subsidiary in Germany (Akbank AG) and a controller located in the Malta Branch. The Compliance Controls team focuses on monitoring compliance with relevant legislation and informing concerned units of any non-compliance and monitoring compliance process. In addition to these controls, the Compliance Controls team assesses internal circulars and new products and services.

## TURKISH REGULATORY ENVIRONMENT FOR BANKS

Please see also the information under the heading "**Information About Akbank – Turkish Regulatory Environment for Banks**" on pages 210 to 244 (inclusive) of the Base Prospectus, which (except to the extent noted otherwise herein) is incorporated by reference into this Prospectus.

In addition, for purposes of the Notes the section "**Information about Akbank – Turkish Regulatory Environment for Banks**" shall be deemed to be revised as follows (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

- a. The first sentence of the fourth paragraph of the section entitled "**The Role of BRSA**" on page 211 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Regulation regarding the Internal Systems and Assessment Process for the Adequacy of the Internal Capital of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 and most recently amended on 4 March 2017, the banks are obliged to establish, manage and develop (for themselves, all their branches and units and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their organisations, in compliance with the provisions of such regulation.

- b. The first paragraph of the section entitled "**Loan Loss Reserves**" on page 214 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Procedures relating to loan loss reserves for NPLs are set out in regulations issued by the BRSA. Pursuant to the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables by Banks and the Provisions to be Set Aside in relation thereto published in the Official Gazette No. 26333 dated 1 November 2006 and most recently amended on 14 December 2016 (the "**Regulation**"), banks are required to classify their loans and receivables in one of the following groups:

- c. The second and third paragraphs of the section entitled "**Loan Loss Reserves – I. Loans of a Standard Nature and Other Receivables**" on pages 214 and 215 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

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.

- d. The second paragraph of the section entitled "**Loan Loss Reserves – II. Loans and Other Receivables Under Close Monitoring**" on page 215 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

If a bank has made several loans to a customer and any of these loans is included in this group, then all of the bank's loans to such customer will be classified in this group even though some of the bank's loans to such customer would otherwise have been included in group I above. 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.

- e. The last paragraph on page 216 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Regulation, 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% of the total cash loan portfolio plus 0.2% of the total non-cash loan portfolio (i.e., letters of guarantee,

avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in group I above, for which the general reserve is calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in group I above, for which the general reserve is calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in group I for SMEs and relating to transit trade, export, export sales and deliveries and services and 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%) for standard loans defined in group I above and a general reserve calculated at 2.0% of the total cash loan portfolio plus 0.4 % of the total non-cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in group II above (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency for which the general loan loss reserve is calculated at 1.0%, and (ii) non-cash loans related to the items stated in (i) above for which the general loan loss reserve is calculated at 0.2%). 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.

- f. The following section is inserted to the end of the section entitled "***Loan Loss Reserves***" on page 220 of the Base Prospectus:

According to Provisional Article 10 of the Regulation, which is effective until 31 December 2016, debt classified as Group II receivables granted by the banks to be used in the energy sector can be restructured twice. Furthermore, such restructured debt may be classified as Group I receivables; *provided* that at least 10% of the total debt has been repaid. Any such debt classified under Group I that is reclassified as Group II debt or that is restructured or is continued to be monitored under Group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as Group I debt; *provided* that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilised, then such debt shall be classified as Group III debt until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 10 described above, if there are loans or any other receivables classified under Groups III, IV and V (excluding loans granted to be used for energy sector as well as other receivables), then such debt shall be reclassified in the same group as the debt relating to energy sector as described in the preceding paragraph; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is at the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified to the "Refinanced/Restructured Loans and Receivables Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,
- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,

- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and
- the payments foreseen in the payment plan are not delayed.

Banks must provide information in their year-end and interim financial reports to be disclosed to the public for the loans and receivables in the energy sector, as defined above, that are subject to the terms of a new contract or restructured.

- g. The following paragraph is inserted at the end of the section entitled "**Loan Loss Reserves**" on page 220 of the Base Prospectus:

On 14 December 2016, the BRSA published amendments to the Regulation, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods within the state of emergency. The Provisional Article 12 states that (among other things) the loans and other receivables classified as non-performing loans by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under group II if: (a) in the case of the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made timely and in full, and (b) in the case of the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made timely and in full. Loans and other receivables classified under group II after the restructuring are monitored under "Renewed/Restructured Loans Account". Furthermore, the Provisional Article 13 (entered into force retroactively as of 21 July 2016) states that (among other things) the delay periods of payments stipulated for the loans defined in group II, III, IV and V may be applied as of 21 January 2017 for the obligations of credit debtors that have been liquidated, assigned to the Directorate General of Foundations or the Treasury or to which the SDIF is assigned as the trustee as per the Decrees Having the Force of Law enforced within the scope of the state of emergency declared across the country by the Decree of the Council of Ministers dated 20 July 2016 and the public officials discharged within the scope of the state of emergency and the assets of such real persons and legal entities that are subject to injunctions.

- h. The first paragraph of the section entitled "**New Loan Qualifications and Provisions Regulation**" on pages 220 and 221 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

On 22 June 2016, the BRSA published the new Regulation on Principles and Procedures Regarding Qualifications of the Loans and Provisions to be Set Aside in relation thereto (the "**New Loan Qualifications and Provisions Regulation**") which will enter into force on 1 January 2018, at which time it will replace the current regulation in order to ensure compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme by the International Monetary Fund and the World Bank. The New Loan Qualifications and Provisions 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 end of 2017 and to set aside general provisions in line with such principles. According to the New Loan Qualifications and Provisions Regulation, the banks will still be required to classify their loans and receivables in groups, but there will be certain changes in the content of the groups.

- i. The final paragraph of the section entitled "**Capital Adequacy**" on page 222 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

Currently all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank have a 0% risk weight. The risk weights for foreign currency-denominated claims on the Turkish sovereign and the Central Bank, were 50% or 100% depending on the external credit assessment

institutions used for calculating the risk-weighted assets for capital adequacy purposes. However, the BRSA, with its decision dated 10 February 2017 and numbered 7234, determined that the banks may apply the risk weights of foreign currency-denominated claims (including gold) on the Central Bank as 0% under the Capital Adequacy Regulation.

- j. The following paragraph is inserted at the end of the section entitled "**Capital Adequacy**" on page 222 of the Base Prospectus:

On 9 December 2016, the BRSA amended the definition of SME under the Capital Adequacy Regulation. Accordingly, SMEs are now defined as "Enterprises whose turnover is under a threshold to be determined by the BRSA." The BRSA, with its decision dated 12 January 2017 and numbered 7193, determined such threshold value as TL 125,000,000 and that such threshold will not be applied to SMEs whose headquarters are abroad. The BRSA further decided that threshold of such SMEs will be determined by their local banking authorities.

- k. The last paragraph of the section entitled "**Equity**" on page 222 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Under the Equity Regulation debt instruments and their issuance premia could be included either in additional Tier I capital or in Tier 2 capital subject to certain conditions; however in accordance with the amendment published in the Official Gazette dated 23 October 2016 and numbered 29511, as of 31 March 2016, such amount is required to be reduced (for the purpose 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.

- l. The first sentence of the second paragraph of the section entitled "**Liquidity and Reserve Requirements**" on page 225 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

The Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948 and most recently amended on 28 February 2017 (the "**Regulation on Liquidity Coverage Ratios**") and entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels, which entered into effect on 1 January 2015).

- m. The third, fourth, fifth, sixth and seventh paragraphs under "**Liquidity and Reserve Requirements**" on pages 225 and 226 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

Pursuant to Communiqué Reserve Requirements numbered 2013/15 and published in the Official Gazette dated 25 December 2013 and numbered 28862 ("Communiqué Regarding Reserve Requirements") and as of the date of this Prospectus, the reserve requirements regarding foreign currency liabilities vary by category and tenor. Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 11 January 2017 and numbered 29945, the reserve requirements starting from 30 December 2016 and onwards for foreign currency liabilities are as set forth below:

<u>Category of Foreign Currency Liabilities Required</u>	<u>Reserve Ratio</u>
Demand deposits, notice deposits, private current accounts and the deposit/participation accounts with up to (and including) 1-month, 3-month, 6-month and up to 1-year maturities .....	12%
Deposit/participation accounts up to 1 -year and longer maturities .....	8%

Other liabilities up to 1 -year maturity (including 1 -year).....	24%
Other liabilities up to 2 -year maturity (including 2 -year).....	19%
Other liabilities up to 3 -year maturity (including 3 -year).....	14%
Other liabilities up to 5 -year maturity (including 5 -year).....	6%
Other liabilities more than 5-year maturity .....	4%
Borrowers' deposit accounts held at development and investment banks <sup>(1)</sup> .....	12%

(1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

Notwithstanding the above, as of 30 December 2016, the reserve requirements for foreign currency liabilities other than deposits and participation accounts that existed on 28 August 2015 vary by tenor until their maturity, as set forth below:

<u>Tenor of Foreign Currency Liabilities Required</u>	<u>Reserve Ratio</u>
Other liabilities up to 1-year maturity (including 1-year).....	19%
Other liabilities up to 2-year maturity (including 2-year).....	13%
Other liabilities up to 3-year maturity (including 3-year).....	7%
Other liabilities up to 5-year maturity (including 5-year).....	6%
Other liabilities longer than 5 year maturity .....	5%

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 7 September 2016 and numbered 29824, the reserve requirements starting from 9 September 2016 regarding Turkish Lira liabilities vary by category, as set forth below:

<u>Category of Turkish Lira Liabilities Required</u>	<u>Reserve Ratio</u>
Demand deposits, notice deposits.....	10.5%
Deposits/participation accounts up to 1-month maturity (including 1-month).....	10.5%
Deposits/participation accounts up to 3-month maturity (including 3-month).....	10.5%
Deposits/participation accounts up to 6-month maturity (including 6-month).....	7.5%
Deposits/participation accounts up to 1-year maturity .....	5.5%
Deposits/participation accounts up to 1 -year and longer maturities .....	4.0%
Other Turkish Lira liabilities up to 1 -year maturity (including 1 -year).....	10.5%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years).....	7.0%
Other Turkish Lira liabilities longer than 3-year maturity.....	4.0%
Borrowers' deposit accounts held at development and investment banks <sup>(1)</sup> .....	10.5%

(1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

The reserve requirements will also apply to gold deposit accounts.

Furthermore, pursuant to Communiqué Regarding Reserve Requirements issued by the Central Bank, banks are permitted to maintain: (a) up to a maximum of 60% of the Turkish Lira reserve requirements in U.S. Dollars (first 30% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times, fourth 5% at 2.1 times, fifth 5% at 2.5 times, sixth 5% at 2.9 times, seventh 1% at 3.7 times, eighth 1% at 3.9 times, ninth 1% at 4.1 times, tenth 1% at 4.3 times, and eleventh 1% at 4.5 times) and up to a maximum of 30% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6 times, second 5% at 1.7 times, third 5% at 2.1 times, and fourth 5% at 2.5 times the reserve requirement) and (b) up to the entire amount of reserve requirements that should be maintained for precious metal deposit accounts should be maintained in the form of standard gold in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their US Dollar denominated liabilities in U.S. Dollars only.



Furthermore, pursuant to the Communiqué Regarding Reserve Requirements entered into force on 17 January 2014, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain parameters. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- n. The last paragraph of the section entitled "**Audit of Banks**" on page 229 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Regulation regarding the Internal Systems and Assessment Process for the Adequacy of the Internal Capital of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 and most recently amended on 4 March 2017, banks are required to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose, provided that such department reports to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

- o. The sixth paragraph of the section entitled "**Corporate Governance Principles**" on pages 235 and 236 of the Base Prospectus is hereby deleted in its entirety and replaced by following:

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions, transactions concerning the establishment of security (excluding for financial institutions), pledge (excluding for financial institutions) and mortgage (excluding for financial institutions) for third parties and transactions which are deemed "material". "Material transactions" means (i) a merger, spin-off, conversion, termination, liquidation, winding-up, (ii) a transfer or lease of all or substantial portion of the public company's assets, establishment of rights in rem on all or a substantial portion of the public company's assets, (iii) materially or fully changing the company's field of activity, (iv) introducing a new privilege or modifying the existing privileges of the shareholders, (v) delisting, (vi) an acquisition or renting of material assets from related parties, (vii) capital increases where cash contributed is higher than the existing share capital and related parties' receivables from the company arising from related parties' asset sales to the company are set off against the obligation to inject cash and (viii) transactions that may result in material changes in the company's commercial life. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is two thirds majority of the attendees who may vote; however, in the event of attendance of shareholders representing not less than one-half of the voting rights, a simple majority of the attendees would be sufficient (unless a larger majority is required pursuant to such company's articles of association).

- p. The following sentence is added to the end of the first paragraph of the section entitled "***New Consumer Loan, Provisioning and Credit Card Regulations***" on page 236 of the Base Prospectus:

On 8 September 2016, the BRSA increased the credit limit from TL1,000 to TL1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

- q. The third paragraph of the section entitled "***New Consumer Loan, Provisioning and Credit Card Regulations***" on page 237 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

In 2013, the BRSA published amendments to the Regulation, 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, 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. On 14 December 2016, the BRSA further amended the Regulation, and pursuant to a provisional article which is valid until 31 December 2017, loan provisions were further reduced. In 2013, housing loans were loans excluded 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% and 8% to 1% and 2%, respectively.

- r. The fifth and sixth paragraphs of the section entitled "***New Consumer Loan, Provisioning and Credit Card Regulations***" on pages 237 to 238 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on the length of the period of instalment payments on 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 jewellery expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article of the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 25 November 2015, 27 September 2016 and 14 December 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 and for loans (except auto loans) secured by houses is 80%. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions for autos, the loan-to-value requirement is set at 70%; *provided* that in each case the sale price of the respective auto is not higher than TL 50,000. On the other hand, 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% and the remainder is set at 50%. As for limitations regarding instalments (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, 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 the restructuring).

- s. The first and second paragraphs in the section entitled "***Permanent write-down or conversion into equity of Tier II instruments upon a determination of non-viability of the BRSA***" under "***Tier II Rules under Turkish Law***" on page 239 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

Under Article 8(2)(ğ) of the Equity Regulation (which came into force on 1 January 2014), as amended, in order for a debt instrument to constitute Tier II capital, the terms of that debt instrument must provide that, in the event it becomes probable, as a result of losses incurred by the bank, that (i) the operating licence of the bank may be revoked or (ii) shareholder rights, and the management and supervision of the bank, may be transferred to the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*), in each case pursuant to Article 71 of the Banking Law, then the debt instrument may be written-down or converted into equity of the bank upon the decision of the BRSA in order to off-set such losses.

- t. Sub-paragraph (e)(iii) of the second paragraph of the section entitled "***New Tier II Rules***" on page 240 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

- (iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Cyclical Capital Buffer, (B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

- u. Sub-paragraph (i) of the second paragraph of the section entitled "***New Tier II Rules***" on page 241 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

- (i) in the event that it is probable, as a result of the losses the bank incurs, that (i) the bank's operating licence may be revoked or (ii) shareholder rights, and the management and supervision of the bank, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law, then the debt instrument may be written-down or converted into equity upon the decision of the BRSA (see "***- Permanent write-down or conversion into equity of Tier II instruments upon a determination of non-viability by the BRSA***" above);

- v. The following sub-paragraph is inserted as sub-paragraph (k) at the end of the second paragraph of the section entitled "***New Tier II Rules***" on page 241 of the Base Prospectus:

- (k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (e) above.

- w. The third, fourth, fifth and the sixth paragraphs of the section entitled "***New Tier II Rules***" on page 241 of the Base Prospectus are hereby deleted in their entirety.

- x. The seventh paragraph of the section entitled "**New Tier II Rules**" on pages 241 and 242 of the Base Prospectus is hereby deleted in their entirety and replaced by the following:

Applications to include debt instruments or loans into Tier II 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 amendments to the Equity Regulation, which entered into force on 31 March 2016, provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier II 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; and the loan that is obtained shall be included in the Tier II capital calculations, unless a contrary opinion is expressed by BRSA.

- y. The following bullet point is inserted at the end of the second paragraph of the section entitled "**Personal Data Protection**" on page 243 of the Base Prospectus:

- if processing is mandatory for the data controller's legitimate interest, on the condition that it does not harm the Data Subject's fundamental rights and freedoms.

- z. The fourth paragraph of the section entitled "**Personal Data Protection**" on page 243 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

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,
- for data related to health or sexual life, collection and processing by parties or relevant authorities under confidentiality obligations for the purposes of protection of public health, preventive medicine, medical diagnosis, treatment and nursing and for planning, financing and management of health services.

- aa. The following bullet point is inserted to the end of the fifth paragraph of the section entitled "**Personal Data Protection**" on page 244 of the Base Prospectus:

- if processing is mandatory for the data controller's legitimate interest, on the condition that it does not harm the Data Subject's fundamental rights and freedoms.

## FORM OF THE NOTES

### Global 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 (the "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes, the Regulation S 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 the Regulation S Global Note may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Regulation S Global Note 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 in reliance upon Rule 144A. The Notes sold to QIBs in reliance upon Rule 144A will be represented by a global note in registered form (the "**Rule 144A Global Note**").

The Regulation S Global Note will be deposited on or about the Issue Date with the Common Depositary, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect account holders in Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note will be deposited on or about the Issue Date with the Custodian and will be registered in the name of Cede & Co. as nominee for DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Persons holding beneficial interests in the Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the 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 Global Notes on the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the 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 7.2) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for definitive 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 the Rule 144A Global Note, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of the Regulation S Global Note, 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 Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 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 the relevant 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 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 Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a 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 "*Transfer Restrictions*" below.**

## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of U.S.\$500,000,000 Fixed Rate Resettable Tier 2 Notes due 2027 (the "**Notes**") issued by Akbank T.A.Ş. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

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

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

The Notes have the benefit of an Agency Agreement dated 5 August 2016 (such Agency Agreement as supplemented by the Supplemental Agency Agreement dated 15 March 2017 and as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, Citibank, N.A., London Branch as fiscal agent and exchange agent (the "**Fiscal Agent**" and the "**Exchange Agent**", which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), and as transfer agent (together with the Registrar, as defined below, the "**Transfer Agents**", which expression shall include any additional or successor transfer agent) and Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any successor registrar).

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes (a) which are expressed in their terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects (including as to listing and admission to trading) except for their respective issue dates, interest commencement dates and/or issue prices.

The Noteholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 5 August 2016 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the "**Deed Poll**") dated 5 August 2016 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the "**Agents**"). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll and the Deed of Covenant which are applicable to them. The statements in these Terms and Conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and Denomination**

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

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

### **1.2 Title**

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

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

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

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



## **2. TRANSFERS OF NOTES**

### **2.1 Transfers of interests in Global Notes**

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

### **2.2 Transfers of Notes in definitive form**

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

### **2.3 Costs of registration**

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

## **3. STATUS OF THE NOTES**

### **3.1 Subordination**

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

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

### 3.2 No Set-off or Counterclaim

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

### 3.3 No Link to Derivative Transactions

The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security.

### 3.4 Interpretation

In these Conditions:

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

**"Equity Regulation"** means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013 (No. 28756), with an effective date of 1 January 2014).

**"Junior Obligations"** means any class of share capital (including ordinary and preferred shares) of the Issuer together with any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments (as provided under Article 7 of the Equity Regulation), or other payment obligations of the Issuer, which obligations in each case rank, or are expressed to rank, junior to the Issuer's obligations under the Notes.

**"Parity Obligations"** means any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments (as provided under Article 8 of the Equity Regulation), or other payment obligations of the Issuer, which in each case rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Notes.

**"Senior Obligations"** means any of the Issuer's present and future indebtedness and other obligations (including, without limitation (a) obligations for any Senior Taxes, statutory preferences and other legally-required payments, (b) obligations to depositors and trade creditors, and (c)

obligations under hedging and other financial instruments), other than its obligations under: (i) the Notes, (ii) any Parity Obligations and (iii) any Junior Obligations.

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

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

**"Turkey"** means the Republic of Turkey.

## **4. COVENANTS**

### **4.1 Maintenance of Authorisations**

So long as any of the Notes remains outstanding, the Issuer shall take all necessary actions to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Turkey (including, for the avoidance of doubt, with the CMB and the BRSA) for (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant, the Deed Poll and the Notes or for the validity or enforceability thereof, or (b) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings which are immaterial in the conduct by the Issuer of the Permitted Business.

### **4.2 Transactions with Affiliates**

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

### **4.3 Financial Reporting**

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

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

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

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

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

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

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

#### 4.5 Interpretation

For the purposes of this Condition 4:

"**Affiliate**" means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person,

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

"**Group**" means the Issuer and its Subsidiaries.

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

"**Material Adverse Effect**" means a material adverse effect on (i) the business, financial condition or results of operations of the Issuer or the Group, or (ii) the Issuer's ability to perform its obligations under the Notes, which shall be determined by reference to the Issuer and the Group immediately prior to, and to the New Bank and the New Group immediately after, the relevant merger, amalgamation or consolidation or sale, assignment or other disposition.

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

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSAAS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer and its Subsidiaries, taken as a whole, all as calculated respectively by reference to the then latest audited BRSAAS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, *provided that*:
  - (i) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show negative assets at the end of the relevant financial period, the financial statements shall be read as if the words "net assets" were substituted by the words "total assets", for the purposes of this definition; and
  - (ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSAAS financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated BRSAAS financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this subparagraph (b) but shall cease to be a Material Subsidiary on the date of publication of its next audited BRSAAS financial statements unless it would then be a Material Subsidiary under subparagraph (a) above; or

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

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

**"New Group"** means the New Bank and its Subsidiaries.

**"Permitted Business"** means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date (as defined in Condition 5.5).

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

**"Subsidiary"** means, in relation to any Person, any company (a) in which such Person holds a majority of the voting rights or (b) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person.

## 5. INTEREST

### 5.1 Interest Rate and Interest Payment Dates

Each Note bears interest:

- (a) in respect of the period from (and including) the Issue Date to (but excluding) the Issuer Call Date, at the rate of 7.200 per cent. per annum (the **"Initial Interest Rate"**); and
- (b) in respect of the period from (and including) the Issuer Call Date to (but excluding) the Maturity Date (the **"Reset Period"**), at the rate per annum equal to the aggregate of: (i) the Reset Margin and (ii) the 5 Year Mid-Swap Rate (the **"Reset Interest Rate"** and, together with the Initial Interest Rate, each, a **"Rate of Interest"**), as determined by the Fiscal Agent on the Reset Determination Date.

Interest will be payable semi-annually in arrear on each of 16 March and 16 September (each, an **"Interest Payment Date"**) in each year up to (and including) the Maturity Date, commencing on 16 September 2017.

In the case of any Write-Down (as defined in Condition 6.1) of the Notes, interest will be paid on the Notes:

- (i) if the Notes are Written-Down in full, on the date of the Write-Down (the "**Write-Down Date**") and in respect of: (A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date (or, if none, the Issue Date) to (but excluding) the Write-Down Date and (B) the Prevailing Principal Amount(s) of the outstanding Notes during that period; and
- (ii) if the Notes are not Written-Down in full, on the Interest Payment Date immediately following such Write-Down (the "**Partial Write-Down Interest Payment Date**") and calculated as the sum of the amount of interest payable in respect of:
  - (A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date (or, if none, the Issue Date) to (but excluding) the Write-Down Date; and
  - (B) the period from (and including) the Write-Down Date to (but excluding) the Partial Write-Down Interest Payment Date,

and, in each case, the Prevailing Principal Amount(s) of the outstanding Notes during those respective periods.

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

- (i) in the case of Notes that are represented by a Global Note, the aggregate Prevailing Principal Amount of the outstanding Notes represented by such Global Note, or
- (ii) in the case of Notes in definitive form, U.S.\$1,000 (the "**Calculation Amount**"),

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

In the case of a period for which interest is to be calculated where different Prevailing Principal Amounts have applied, the above calculation shall be performed separately for each sub-period within that period during which the Prevailing Principal Amount was different and the aggregate of the amounts resulting from such calculations shall be the interest payable in respect of the relevant period.

## **5.2 Determination and notification of Reset Interest Rate**

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

(other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

### **5.3 Certificates to be final**

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

### **5.4 Accrual of interest**

Each Note will cease to bear interest from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

### **5.5 Interpretation**

In these Conditions:

**"5 Year Mid-Swap Rate"** means the annual mid-swap rate for U.S. Dollar swap transactions with a maturity of five years (quoted on a semi-annual basis), expressed as a percentage, which appears on the Screen Page at the Relevant Time. If such rate does not appear on the Screen Page at the Relevant Time, the 5 Year Mid-Swap Rate will be the percentage per annum determined by the Fiscal Agent on the basis of the arithmetic mean of the bid and offered rates quoted by the Reference Banks at the Relevant Time for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. Dollar interest rate swap transaction with an acknowledged dealer of good credit in the swap market, which swap transaction has a term of five years commencing on the Issuer Call Date and is in a Representative Amount, where the floating leg, (calculated on an Actual/360 day count basis) is equivalent to the rate for deposits in U.S. Dollars for a three month period offered at the Relevant Time by the principal London offices of leading swap dealers in the New York City interbank market to prime banks in the London interbank market. The Fiscal Agent will request each of the Reference Banks to provide such quotations. If three or more quotations are so provided, the 5 Year Mid-Swap Rate will be the percentage reflecting the arithmetic mean of those quotations, eliminating the highest such quotation (or, in the event of equality, one of the highest) and the lowest such quotation (or, in the event of equality, one of the lowest). If only two quotations are so provided, it will be the arithmetic mean of the quotations provided. If only one quotation is so provided, it will be such quotation. If no quotations are provided, the 5 Year Mid-Swap Rate will be 2.174 per cent. per annum.

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

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



**"Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York City.

**"Initial Principal Amount"** means U.S.\$1,000 for each U.S.\$1,000 of the Specified Denomination of the Notes as of the Issue Date;

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

**"Issue Date"** means 15 March 2017.

**"Issuer Call Date"** means 16 March 2022.

**"Maturity Date"** means 16 March 2027.

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

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

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

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

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

**"Reset Determination Date"** means the third Business Day immediately preceding the Issuer Call Date.

**"Reset Margin"** means 5.026 per cent. per annum.

**"Screen Page"** means the display page on the relevant Reuters information service designated as the "ICESWAP1" page or such other page as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, in each case, for the purpose of displaying equivalent or comparable rates to the 5 Year Mid-Swap Rate.

## **6. LOSS ABSORPTION UPON THE OCCURRENCE OF A NON-VIABILITY EVENT**

### **6.1 Write-Down of the Notes**

*Under Article 8(2)(g) of the Equity Regulation, to be eligible for inclusion as Tier 2 capital of the Issuer, it should, among other things, be possible pursuant to the terms of the Notes for the Notes to be written-down or converted into equity of the Issuer upon the decision of the BRSA in the event it is probable that (a) the operating licence of the Issuer may be revoked or (b) shareholder rights, and the management and supervision of the Issuer, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law (No. 5411) (as further defined below, a Non-Viability*

Event). For the purposes of the Notes, the Issuer has elected pursuant to Article 8(2)(ğ) of the Equity Regulation to provide for the permanent write-down of the Notes and not their conversion into equity on the occurrence of a Non-Viability Event as follows.

If a Non-Viability Event occurs at any time, the Issuer shall:

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

reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount (any such reduction, a "**Write-Down**", "**Written-Down**" and "**Writing Down**" shall be construed accordingly).

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

*As of the date of this Prospectus, a number of corrective, rehabilitative and restrictive measures may be taken by the BRSA under Articles 68 to 70 of the Banking Law (No. 5411) prior to any determination of Non-Viability of the Issuer. In conjunction with any such determination by the BRSA, losses may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, on the condition that such loss(es) are deducted from the capital of the shareholders, or (b) the revocation of the Issuer's operating licence and its liquidation. However, the Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.*

*Pursuant to the first paragraph of this Condition 6.1, while the Notes may be Written-Down before any transfer or liquidation as described in the preceding paragraph, the Write-Down must take place in conjunction with such transfer of shareholders' rights to the SDIF or revocation of the Issuer's operating licence and liquidation pursuant to Article 71 of the Banking Law (No. 5411) in order that the respective rankings described in Condition 3.1 are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. In this respect, such action will be taken as is decided by the Board of the BRSA. Where a Write-Down of the Notes does take place before the liquidation of the Issuer, Noteholders would only be able to claim and prove in such liquidation in respect of the Prevailing Principal Amount of the outstanding Notes following the Write-Down.*

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

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

Noteholders will have no further claim against the Issuer in respect of any Written-Down Amount of the Notes and if, at any time, the Notes are Written-Down in full, the Notes shall be cancelled following payment of interest accrued and unpaid to (but excluding) the date of such final Write-Down and Noteholders will have no further claim against the Issuer in respect of any such Notes.

## 6.2 Interpretation

For the purposes of this Condition 6:

**"Junior Loss-Absorbing Instruments"** means any Loss-Absorbing Instrument that is or represents a Junior Obligation.

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

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

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

**"Parity Loss-Absorbing Instruments"** means any Loss-Absorbing Instrument that is or represents a Parity Obligation.

**"SDIF"** means the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) of Turkey.

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

**"Write-Down Amount"**, in respect of an outstanding Note, means the amount by which the Prevailing Principal Amount of such Note as of the date of the relevant Write-Down is to be Written-

Down, which shall be determined as described in Condition 6.1 and may be all or part only of such Prevailing Principal Amount, in each case as specified in writing (including by way of publication) by the BRSA, and "**Written-Down Amount**" shall be construed accordingly.

*While a Write-Down of the Notes may take place before the absorption of the relevant loss(es) giving rise to the Non-Viability Event to the maximum extent possible by Junior Obligations, such loss absorption might be taken into account by the BRSA, where relevant, in the determination of the Write-Down Amount in order for the respective rankings described in Condition 3.1 to be maintained on any Write-Down as provided in Condition 6.1.*

## 7. PAYMENTS

### 7.1 Method of payment

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

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

### 7.2 Payments in respect of Notes

Payments of principal in respect of each Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") at the close of business on the 15<sup>th</sup> day (or, if such 15<sup>th</sup> day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15<sup>th</sup> day) before the relevant due date (the "**Record Date**"). Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000, payment will instead be made by a cheque in U.S. Dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank which processes payments in U.S. Dollars.

Payments of interest in respect of each Note (whether or not in global form) will be made by a cheque in U.S. Dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on the Record Date and at that holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Note, the payment may be made by transfer on the due date in the manner provided in the preceding

paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note on redemption will be made in the same manner as payment of the principal amount of such Note.

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

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

### **7.3 General provisions applicable to payments**

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

### **7.4 Payment Day**

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 10) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

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

### **7.5 Interpretation of principal and interest**

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

## **8. REDEMPTION AND PURCHASE**

### **8.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each outstanding Note will be redeemed by the Issuer at its then Prevailing Principal Amount on the Maturity Date.

## **8.2 Redemption for tax reasons**

If, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9) or any change or clarification in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change, clarification or amendment becomes effective after 9 March 2017, on the next Interest Payment Date, the Issuer would:

(a) be required to (i) pay additional amounts as provided or referred to in Condition 9 and (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on 9 March 2017, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 9 March 2017, is reduced,

then the Issuer may, at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirements referred to in subparagraphs (a) and (b) above will apply on the next Interest Payment Date and, in the case of (a), cannot be avoided by the Issuer taking reasonable measures available to it, (ii) the BRSA's written approval for such redemption of the Notes and (iii) an opinion of independent legal advisers, in the case of subparagraph (a) above or independent tax advisers, in the case of subparagraph (b) above, in each case, of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts or no longer be entitled to claim such entitlement or deduction or the value of such deduction will be so reduced, in each case as applicable and as a result of the change, amendment or clarification.

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

The Issuer may, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date at their then Prevailing Principal Amount together with interest accrued to (but excluding) the Issuer Call Date.

## **8.4 Redemption upon a Capital Disqualification Event**

If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Fiscal Agent (i) the required confirmation in writing by the BRSA, if applicable, of the occurrence of the relevant Capital Disqualification Event and (ii) a certificate signed by two Directors of the Issuer stating that such Capital Disqualification Event has occurred.

For the purposes of this Condition 8.4:

- (a) **"Capital Disqualification Event"** means if, as a result of any change in applicable law (including the Equity Regulation), or the application or official interpretation thereof, which change in application or official interpretation is confirmed in writing by the BRSA, all or any part of the Prevailing Principal Amount of the outstanding Notes is not eligible for inclusion as Tier 2 capital of the Issuer; and
- (b) **"Tier 2 capital"** means tier 2 capital as provided under Article 8 of the Equity Regulation.

## **8.5 Purchases**

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of (a) any entity which is controlled by the Issuer or over which the Issuer has significant influence (as contemplated in the Banking Law (No. 5411) and the Equity Regulation) (a **"Related Entity"**) or (b) the Issuer. If so permitted and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may purchase or otherwise acquire Notes in any manner and at any price in the open market or otherwise. Subject to applicable law, such Notes may be held, reissued, resold or, at the option of the Issuer or any such Related Entity, surrendered to any Paying Agent and/or the Registrar for cancellation.

## **8.6 Cancellation**

All Notes which are redeemed pursuant to this Condition 8 will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.5 shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## **8.7 No other redemption or purchase**

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

# **9. TAXATION**

## **9.1 Payment without Withholding**

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

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of such Note; or
- (b) presented for payment in Turkey; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on

presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.4).

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

For the purposes of these Conditions:

- (i) **"Relevant Date"** means with respect to any payment, the date on which such payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent, on or prior to the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.
- (ii) **"Relevant Jurisdiction"** means Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

## **9.2 Additional Amounts**

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

## **10. PRESCRIPTION**

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

## **11. EVENTS OF DEFAULT**

If:

- (a) default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) a Subordination Event occurs; or
- (c) any order is made by any competent court or resolution is passed for the winding-up, dissolution or liquidation of the Issuer,

the holder of any Note may:

- (i) in the case of (a) above, institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or



- (ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

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

In any of the events or circumstances described in (b) or (c) above, the holder of any outstanding Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its then Prevailing Principal Amount, together with interest accrued and unpaid to (but excluding) the date of repayment, subject to the subordination provisions described under Condition 3.1 above.

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

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

## **12. REPLACEMENT OF NOTES**

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

## **13. AGENTS**

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

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

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

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

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

## **14. NOTICES**

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

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

## **15. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **15.1 Meetings of Noteholders**

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

## **15.2 Modification**

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

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

## **16. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having terms and conditions the same as those of the Notes, or the same in all respects save for the amount and date of the first payment of interest thereon, which may be consolidated and form a single Series with the outstanding Notes, provided that such further notes will be fungible with the original Notes for U.S. federal income tax purposes.

## **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing law**

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

### **18.2 Submission to jurisdiction**

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

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

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

### **18.3 Consent to Enforcement**

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (No. 6100), any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against such Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (No. 5718).

### **18.4 Appointment of Process Agent**

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent for service of process in respect of any Proceedings before the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and agrees that, in the event of such process agent ceasing so to act, it will appoint another person as its agent for service of process for that purpose.

### **18.5 Other documents**

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

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable and such information has been accurately reproduced, but none of the Joint Lead Managers takes any responsibility for the accuracy thereof. As far as Issuer is aware and is able to ascertain from information published by the Clearing Systems, no facts have been omitted that would render reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

*None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

*The Issuer is required to notify the Central Registry Agency (Merkezi Kayıt Kuruluşu) (the "**CRA**") regarding the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian, currency of the Notes, the country of issuance and any change to this information, if any, including an early redemption within three Istanbul business days from the date of issue of the Notes or, in the case of any change to this information, the relevant change.*

### **Book-entry Systems**

#### **DTC**

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of notes in registered form among Direct Participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes ("**Beneficial Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners who hold interests in DTC Notes through Participants will not possess notes in registered form, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the relevant Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner holds its interest in the DTC Notes. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for notes in definitive registered form, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and which will be legended as set forth under "*Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants or if not possible to so effect it, to withdraw its notes from DTC as described below.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect

Participants, the ability of a person having an interest in Notes represented by a Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by the Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

### ***Clearstream, Luxembourg***

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg account holders.

### ***Euroclear***

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its account holders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form.

Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

### **Book-entry Ownership of and Payments in respect of Global Notes**

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have the Notes represented by the Regulation S Global Note accepted in its book-entry settlement system. Upon the issue of the Regulation S Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by the Regulation S Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the Joint Lead Managers. Interests in the Regulation S Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to account holders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in the Regulation S Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of Euroclear and/or Clearstream, Luxembourg account holders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg account holders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

The Issuer has applied to DTC in order to have the Notes represented by the Rule 144A Global Note accepted in its book-entry settlement system. Upon the issue of the Rule 144A Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by the Rule 144A Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Joint Lead Managers.

Ownership of beneficial interests in the Global Notes will be limited to Direct Participants or Indirect Participants, including, in the case of the Regulation S Global Note, the Common Depositary for Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Rule 144A Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of the Rule 144A Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

### **Transfers of Notes Represented by Global Notes**

Transfers of any interests in Notes represented by a Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Subject to compliance with the transfer restrictions applicable to the Notes described under "*Transfer Restrictions*", cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected



by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Global Notes have been deposited.

On or after the Issue Date, transfers of Notes between account holders in Clearstream, Luxembourg and Euroclear and transfers of Notes between participants in DTC will generally have a settlement date three business days after the trade date ("**T+3**"). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in the Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Joint Lead Manager will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

Please also refer to the information under the heading "*Taxation*" on pages 287 to 290 (inclusive) of the Base Prospectus which (except to the extent noted otherwise herein) is incorporated by reference into this Prospectus.

In addition, for the purposes of the Notes the section "*Taxation*" shall be deemed to be revised as follows (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

- a. The section entitled "***Certain Turkish Tax Considerations - Value Added Tax***" on pages 288 and 289 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

### ***Value Added Tax***

Bond issuances and interest payments on the bonds are exempt from the Value Added Tax ("**VAT**") pursuant to Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended pursuant to the Turkish Tax Bill Regarding Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

- b. The second paragraph of the section entitled "***U.S. Foreign Account Tax Compliance Act***" on page 289 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

On 29 July 2015, the United States and Turkey signed an IGA based largely on the Model 1 IGA. Turkey is treated as having a Model 1 IGA in effect, as the signed IGA has been ratified by the Turkish Parliament and entered into force on 16 March 2016. The Turkish Council of Ministers approved the text of the IGA and the memorandum of understanding attached to the IGA on 19 September 2016. The Turkish Council of Ministers' decision was published in the Official Gazette on 5 October 2016, necessary to initiate the implementation of the agreement. Accordingly, the first information exchange between the Turkish Revenue Administration and the US Internal Revenue Service is expected to occur on 30 September 2017, unless the Turkish Revenue Administration and the US Internal Revenue Service agree upon a different date.

## U.S. TAXATION

### Certain U.S. Federal Income Tax Consequences

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 U.S. Holders that are initial purchasers of Notes at the Issue Price in this offering and 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, and does not address state, local, foreign 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 the U.S. federal income tax laws (such as certain financial institutions, insurance companies, investors liable for the alternative minimum tax, investors liable for the Medicare tax on net investment income, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers or traders in securities, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, 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, any state thereof or the District of Columbia, (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 generally 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 and their partners should consult their tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States, including Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Turkey (the "**Treaty**"), all as of 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. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW.

### Characterisation of the Notes

No authority directly addresses the U.S. federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the U.S. Internal Revenue Service ("**IRS**") as to their characterisation for such purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for such purposes and this discussion assumes that treatment is correct. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this discussion. If the IRS were to successfully challenge the characterisation of the Notes as debt, the timing, amount and character of income inclusions on

the Notes may be affected. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes for U.S. federal income tax purposes.

### **Payments of Interest**

It is expected and this summary assumes that either the Issue Price of the Notes will equal their stated principal amount, or the Notes will be issued with less than a *de minimis* amount of "original issue discount". Generally the Notes will be treated as issued with less than a *de minimis* amount of original issue discount if the excess of the Notes' principal amount over their issue price is less than 0.25% of the principal amount multiplied by the number of complete years to maturity.

Therefore, interest on a Note (including additional amounts, if any) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. tax purposes. The amount of interest taxable as ordinary income will include amounts withheld in respect of Turkish taxes, if any. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Non-refundable Turkish taxes withheld from interest income on a Note at a rate not exceeding any applicable rate under the Treaty generally will be creditable against the U.S. Holder's U.S. federal income tax liability, subject to applicable limitations that may vary depending upon the U.S. Holder's circumstances. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex and U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such Turkish taxes in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. U.S. Holders should consult their 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 will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amounts realised on the sale or retirement and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note will generally be its cost. The amount realised does not include the 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 or retirement of a Note generally will be capital gain or loss and will be considered long-term capital gain or loss if the Note is held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Consequently, a U.S. Holder may not be able to claim a credit for any foreign tax imposed upon the sale or retirement of a Note unless such credit can be applied (subject to applicable limitations) against its U.S. federal income tax due on other income or gain treated as derived from sources outside the United States. The deductibility of capital losses is subject to limitations.

### **Backup Withholding and Information Reporting**

Payments of principal, interest on, and the proceeds of sale or other disposition of Notes, by a paying agent within the United States, and by certain paying agents outside the United States, will be reported to the IRS 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 report all interest required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, provided that the

required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### **Foreign Financial Asset Reporting**

Certain U.S. Holders may be required to report on IRS Form 8938 information relating to securities issued by a non-U.S. person (or foreign accounts through which the securities are held), subject to certain exceptions (including an exception for securities held in accounts maintained by U.S. financial institutions). The Notes are expected to constitute reportable "foreign financial assets" unless they are held in an account at certain financial institutions. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Notes.

## **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 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 Akbank 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 (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, 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 (or a beneficial interest therein) 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 (or a beneficial interests therein).**

## PLAN OF DISTRIBUTION

Akbank intends to offer the Notes through the Joint Lead Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes entered into on 9 March 2017 among the Joint Lead Managers and Akbank (the "**Subscription Agreement**"), each of the Joint Lead Managers has severally (and not jointly nor jointly and severally) agreed to purchase, and Akbank has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below.

<i>Joint Lead Manager</i>	<i>Principal Amount of Notes</i>
Citigroup Global Markets Limited	U.S. \$83,335,000
Goldman Sachs International	U.S. \$83,333,000
HSBC Bank plc	U.S. \$83,333,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S. \$83,333,000
Société Générale	U.S. \$83,333,000
Standard Chartered Bank	U.S. \$83,333,000
<b>Total</b>	<b>U.S. \$500,000,000</b>

The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part.

Akbank has been informed that the Joint Lead Managers propose to resell beneficial interests in the Notes at the offering price set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-U.S. persons in offshore transactions in reliance upon Regulation S. See "*Subscription and Sale*" in the Base Prospectus and "*Transfer Restrictions*" below. The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the Exchange Act or in accordance with Rule 15a-6 thereunder.

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 under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Subscription and Sale*" in the Base Prospectus and "*Transfer Restrictions*" below.

In addition, until 40 days after the closing date of the offering of the Notes, an offer or sale of Notes (or beneficial interests therein) within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

While application has been made for the Notes to be admitted to trading on the Main Securities Market, the Notes constitute a new class of securities of Akbank with a limited trading market. Akbank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Joint Lead Managers have advised Akbank 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. No assurance can be given that the application to the Irish

Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market will be accepted.

In connection with the offering, one or more Joint Lead Manager(s) may purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions may include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Joint Lead Managers in their initial offering, which creates a short position for the Joint Lead Managers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) 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 (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, then they may discontinue them at any time.

To the extent permitted by local law, the Joint Lead Managers and the 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.

Akbank expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market through a broker or dealer in the United States generally are required to settle in three New York City business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days should consult their own adviser.

The Joint Lead Managers 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 Lead Managers or their respective affiliates may have performed investment banking and advisory services for Akbank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for Akbank and its affiliates in the ordinary course of their business. Certain of the Joint Lead Managers and/or their respective affiliates have acted and expect in the future to act as a lender to Akbank and/or other members of the Akbank Group and/or otherwise participate in transactions with the Akbank Group.

In the ordinary course of their various business activities, the Joint Lead Managers 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 Akbank's securities and instruments. In addition, certain of the Joint Lead Managers and/or their respective affiliates hedge their credit exposure to



Akbank pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby.

The Joint Lead Managers 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 or instruments.

Akbank has agreed to indemnify each Joint Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Lead Managers may be required to make because of those liabilities.

### **Selling Restrictions**

Please see also the information under the heading "*Subscription and Sale – Selling Restrictions*" on pages 291 to 296 (inclusive) of the Base Prospectus, which is incorporated by reference herein.

### ***Switzerland***

In Switzerland, this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

## TRANSFER RESTRICTIONS

***Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.***

Akbank has not registered the Notes under the Securities Act or the laws of any U.S. State securities commission and, therefore, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in reliance upon Rule 144A under the Securities Act and (b) to non-U.S. persons in offshore transactions in reliance upon Regulation S under the Securities Act.

Each purchaser of Notes (other than a person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Global Note to another or from global to definitive form will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. Federal or State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in the Regulation S Global Note and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last issue date for the series of Notes and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. Federal and State securities laws;
- (d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions, if then applicable;
- (e) that Notes initially offered to QIBs will be represented by the Rule 144A Global Note and that Notes offered in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by the Regulation S Global Note;
- (f) that the Rule 144A Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD PLEDGED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN

APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (g) if it holds an interest in the Regulation S Global Note, that if it should resell or otherwise transfer such interest in the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A and (ii) in accordance with all applicable U.S. federal and State securities laws; and it acknowledges that the Regulation S Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW."; and

- (h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a U.S. governmental plan, church plan or non-U.S. plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer funds for the purchase of such securities abroad through licensed banks or licensed brokerage institutions authorised pursuant to Banking Law and/or Capital Markets Law and their related legislation.

## **LEGAL MATTERS**

Certain matters relating to the issuance of the Notes will be passed upon for Akbank by Baker & McKenzie LLP as to matters of English and United States law and by Esin Attorney Partnership, a member firm of Baker & McKenzie International, as to matters of Turkish law. Certain matters as to English and United States law will be passed upon for the Joint Lead Managers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Joint Lead Managers by Gedik & Eraksoy Avukatlık Ortaklığı.

## GENERAL INFORMATION

### Authorisation

The establishment and update of the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated 22 October 2013, 16 December 2013, 18 November 2014, 3 November 2015 and 20 October 2016 and the issue of the Notes has been duly authorised by a resolution of the Board of Directors dated 20 October 2016.

### Listing of Notes

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. It is expected that admission of the Notes to the Official List and trading on the Main Securities Market will be granted on or around the Issue Date, subject only to the issue of the Notes.

### Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for Akbank in connection with 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 Main Securities Market for the purposes of the Prospectus Directive.

### Documents Available

For as long as any of the Notes are outstanding, 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:

- (a) the articles of association (with a certified English translation thereof) of the Issuer;
- (b) the convenience translation into English of the Akbank 2016 BRSA Annual Financial Statements (including EY's audit report dated 31 January 2017 issued in respect thereof);
- (c) the convenience translation into English of the Akbank 2015 BRSA Annual Financial Statements (including EY's audit report dated 2 February 2016 issued in respect thereof);
- (d) the convenience translation into English of the Akbank 2014 BRSA Annual Financial Statements (including EY's audit report dated 2 February 2015 issued in respect thereof);
- (e) Akbank's most recently published audited annual financial statements and Akbank's most recently published unaudited interim financial statements in each case in English and together with any audit or review reports prepared in connection therewith. Akbank currently prepares audited consolidated financial statements in accordance with BRSA Principles on an annual basis and unaudited consolidated interim financial statements in accordance with BRSA Principles on a quarterly basis;
- (f) the Agency Agreement, the Deed of Covenant, the Deed Poll and the forms of the Global Notes and the Notes in definitive form; and
- (g) a copy of this Prospectus and the Base Prospectus.

A copy of the Base Prospectus is available on the website of the Irish Stock Exchange plc at [www.ise.ie](http://www.ise.ie) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). On issuance of the Notes, a copy of this Prospectus would be published on the website of the Irish Stock Exchange plc ([www.ise.ie](http://www.ise.ie)) and the website of the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)) (each of such websites is not, and should not be deemed to, constitute a part of, or be incorporated into, this

Prospectus). In addition, the copies of the Akbank 2016 BRSA Annual Financial Statements, the Akbank 2015 BRSA Annual Financial Statements and the Akbank 2014 BRSA Annual Financial Statements are available on the Issuer's website at <http://www.akbank.com/en-us/investor-relations/Pages/Financials.aspx> (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus).

### **Clearing Systems**

The Rule 144A Global Note has been accepted into DTC's book-entry settlement system and the Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 00972BAB5, ISIN: US00972BAB53 and Common Code: 157475045, with respect to the Rule 144A Global Note and ISIN: XS1574750292 and Common Code: 157475029, with respect to the Regulation S Notes).

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.

### **Interest Payments**

Akbank has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "**New York Business Day**" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York City are authorised or required by law or executive order to close.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of either Akbank or the Akbank Group since 31 December 2016, and no material adverse change in the financial position or prospects of either Akbank or the Akbank Group since 31 December 2016.

### **Litigation**

Neither Akbank nor any other member of the Akbank Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Akbank is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of Akbank or the Akbank Group.

### **Independent Auditors**

Akbank's annual financial statements, convenience translations of which are incorporated by reference herein, have been audited (i) as of and for the year ended 31 December 2016 and 31 December 2015 in accordance with the communiqué "Independent Audit of Banks" as published by the BRSA in the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (the "**POA**") and (ii) as of and for the year ended 31 December 2014, in accordance with the Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks published in the Official Gazette No. 26333 dated 1 November 2006 and the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the POA, in each case by EY, independent certified public accountants in Turkey, located at Maslak Mahallesi Eski Büyükdere Caddesi No:27 Daire:54-57-59 Kat 2-3-4 Sarıyer, Istanbul, Turkey as stated in the convenience translations of EY's audit reports incorporated by reference herein. EY is an institution authorised by BRSA, CMB, Turkish Treasury, Energy



Market Regulatory Authority and POA to conduct independent audits of companies, including banks, in Turkey. Akbank's accounts are prepared on a quarterly, semi-annual and annual basis in accordance with BRSA and on a semi-annual and annual basis in accordance with IFRS.

On 29 September 2016, Akbank's Board of Directors resolved that Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) be appointed as independent auditors of Akbank for the years 2017, 2018 and 2019 subject to the approval of the shareholders each year.

### **Foreign Text**

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

**ISSUER**  
**Akbank T.A.Ş.**  
Sabancı Center  
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İstanbul  
Turkey

**JOINT LEAD MANAGERS**

**Citigroup Global Markets Limited**  
Citigroup Centre  
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Canary Wharf  
London E14 5LB  
United Kingdom

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
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United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Merrill Lynch, Pierce, Fenner & Smith Incorporated**  
One Bryant Park  
New York, New York 10036  
United States of America

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

**Standard Chartered Bank**  
One Basinghall Avenue  
London EC2V 5DD  
United Kingdom

**FISCAL AGENT, EXCHANGE AGENT AND  
TRANSFER AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Deutschland AG**  
Reuterweg 16  
60323 Frankfurt am Main  
Germany

**LEGAL ADVISERS**

*To the Issuer as to English and United States law*

**Baker McKenzie LLP**  
100 New Bridge Street  
London EC4V 6JA  
United Kingdom

*To the Issuer as to Turkish law*

**Esin Attorney Partnership, a member firm of Baker & McKenzie International**  
Ebulula Mardin Cad. Gül Sok. No.2  
Maya Park, Tower 2  
Akatlar, Beşiktaş  
İstanbul, Turkey

*To the Joint Lead Managers as to English and United States law*

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

*To the Joint Lead Managers as to Turkish law*

**Gedik & Eraksoy Avukatlık Ortaklığı**  
River Plaza Kat:17 Büyükdere Cad.  
Bahar Sok. No:13  
34394 Levent, İstanbul  
Turkey

**LISTING AGENT**

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

**INDEPENDENT AUDITORS OF THE ISSUER**

**Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member firm of EY Global Limited)**  
Maslak Mahallesi Eski Büyükdere Caddesi No:27  
Daire:54-57-59 Kat 2-3-4 Sarıyer, İstanbul  
Turkey